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NEWS SUMMARY

GENERAL

East Berlin bars Kohl

West Germany yesterday barred the head of the West German Christian Democratic opposition party from entering East Berlin. Herr Helmut Kohl was told by an East German officer that his entry was undesirable at the present time. Kohl frequently visits East Berlin privately when he is in West Berlin.

Immigrant curbs

Conservative leaders are to consider proposals for enforcing strict curbs on immigration. Page 5

Spring poll denial

Aspects of a General Election in the spring have been denied by the Prime Minister. Page 6

Cricket's break

England's cricket captain Mike Brearley broke his left forearm in a one-day match in Karachi. Brearley's Middlesex colleague Clive Radley, who has been coaching in Australia, flies for England today. Page 8

Nixon returns

President Richard Nixon returned to Washington—the first time he has been in the White House since he resigned over the Watergate affair—to attend a memorial service for Senator J. Lee Rankin. Page 2

Killer bombs

Known attackers buried two bombs into one of Barcelona's best dance-halls. One person died and two are missing.

quake kills 13

Thirteen people died in landslides after an earthquake in Iran.

K round-up

Europeans than ever expected to take holidays in this year, Thomas Cook officials said. Page 3

... should be ready to use tear weapons at a much later stage in a European war. Julian Critchley, Tory MP, said in a House of Commons debate.

... moving children's tonsils costs Health Service £5m a year. There is little evidence the operation does much good. Prof. David Illingworth, of Sheffield.

... ter authorities and anglers are spending hundreds of pounds to prevent chummers scooping up huge numbers of salmon and trout, jeopardising future stocks. Patrols are being stepped up.

... Office's TIM time service consulted more than 365m. as last year.

... ice in south London are killing two youths who stabbed a 20-year-old man in a Khan pub.

BUSINESS

Price control 'bullying' attacked

PRICE COMMISSION has used highly questionable tactics to bully and coerce companies into withdrawing or modifying price increases according to Mrs. Sally Oppenheim, Conservative spokesman on prices. She described the commission as a "Mafia with Star Chamber powers."

She said companies were being forced to put up with the disruption of having "inexperienced and meddlesome investigators" going through their books. In some cases, the commission was asking what could be interpreted as sinister questions on company affairs.

Mrs. Oppenheim said the commission was producing an artificial price increase situation. Eventually price increases must be passed on to investment cut. Page 5

SURVEY Commission by the Consumers' Association showed that most people interviewed felt the Government was not coping well with the problem of food prices and electricity prices. Page 23

Distillers may face new EEC threat

DISTILLERS' system of using exclusive national distributors to market Johnnie Walker Red Label and Dimple Hare Whisky in the continental EEC countries could be threatened if it goes ahead with its decision to halt sales of these brands in the U.K. This is the view of lawyers in the EEC Commission, which has already warned distillers that its response to the recent order prohibiting its dual pricing practices could expose the company to further legal action for breach of the EEC's rules of competition. Back Page

EEC COMMISSION is likely to offer Britain an improved fisheries quota in talks resuming in Brussels today. Back Page

FRENCH industrialists, including the heads of power engineering, nuclear contracting, chemical and oil groups, will accompany M. Raymond Barre, the Prime Minister, on his trip to China this week. Page 3

Leyland men try to avert cut in jobs

LEYLAND shop stewards today will urge Mr. Michael Edwards, the chairman of the Leyland group, to adopt an alternative policy of expanding car sales as an alternative to plans to cut out 10,000 jobs this year. Page 5. New Volkswagen model for U.K. Page 23. Car sales fall in South Africa. Page 2

POSTAL WORKERS would be allowed to take industrial action to back claims for better wages and conditions under a private members' Bill to be introduced in Parliament next month. The Bill would remove doubts about whether postmen could legally take such action. Page 5

AUSTRALIA will make a public bond issue of about £50m. (about £108m.) of the Tokyo capital market next month, as part of its foreign borrowing programme in support of the Australian dollar. Page 2

SUN LIFE Assurance Company of Canada is delaying a decision on plans to move its headquarters from Montreal, Quebec, to Toronto. Page 2

CONSORTIUM of financial institutions will put up at least £2.58m. for variable-rate preference stock in a £3m. fund-raising operation for Frederick Burgess, the agricultural equipment maker and distributor. Page 20

Middle East peace talks tomorrow after weekend crisis

BY ROGER MATTHEWS: JERUSALEM, JAN. 15

A crisis which threatened the start of Middle East peace talks in Jerusalem between the Foreign Ministers of Israel, Egypt and the U.S. was averted today after a week-end of recrimination and sharp disagreement over the agenda.

The formal opening of the joint political committee will be on Tuesday, 24 hours later than previously fixed.

The Egyptian negotiating team, led by Mr. Mohammed Ibrahim Kamel, the Foreign Minister, arrived in Jerusalem tonight after hours of doubt whether President Sadat's anger at Israeli attitudes would impel him to cancel their departure from Cairo.

Mr. Kamel warned on his arrival that negotiations were at a crucial crossroads. "There can be no peace with the continued occupation of land," he said.

Mr. Sadat had said in an interview published in an Egyptian magazine yesterday that he had "absolutely no hope" of an early agreement on peace principles with Israel. "Mr. Begin [Israel's Prime Minister] gave me nothing. It was I who gave him everything. I gave him security and legitimacy, and got nothing in return."

Pressure

Mr. Cyrus Vance, the U.S. Secretary of State, who is to participate in the committee, postponed his departure for Jerusalem last night when the

row over the agenda deepened after exchanges and the U.S. feel is imperative if other parties to the conflict are to be drawn into the negotiations.

Second, "the nature of peace," by which Israel wants to ensure that certain decisions are taken, such as open borders, that they believe will help ensure that any peace agreement is solidly based.

It had been intended to discuss the agenda for the political committee during its first meeting, but clearly Mr. Sadat was not satisfied, and Mr. Vance was unwilling to be a party to lengthy procedural haggling that might force him to stay longer in Jerusalem than he intended.

It is understood that the Egyptians insisted that the matter be discussed "in all its aspects," a formula that would ensure that the question of Palestinian self-determination was central to the argument.

Mr. Begin has ruled out self-determination for the West Bank of the Jordan and the Gaza Strip, offering instead a form of self-rule. This would be acceptable to Mr. Sadat, but only as an interim step.

In turn this is closely related to the other two agenda items. First, the broad declaration of

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Steel and Optimism at power Treasury over pay rises

By Christian Tyler, Labour Editor

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

HIGHLY-PAID white-collar workers in two important public sector undertakings—electricity supply and the steel industry—are preparing an attack on what they consider the dangerous rigidity of Government incomes policy.

Determined to redress the fall in their earnings relative to manual workers over the last two years, management unions in both industries are now pressing for substantial pay increases above the 10 per cent limit.

Their claims are to be pressed all the harder because manual workers are now able to conclude productivity deals on top of 10 per cent rises.

Separate

In the British Steel Corporation, leaders of the 12,500-member Steel Industry Management Association decided at the week-end to press not only for a new salary structure, but also for a separate differentials award.

Mr. Robert Muir, the association's general secretary, said overall, SIMA would need between 42 and 47 per cent to restore its members' position, although it did not expect that all at once.

"There has been an unacceptable erosion of differentials between us and foremen. There has been on-account payment to adjust that," he said.

SIMA, which is not affiliated to the TUC, has already, like the TUC-affiliated manual unions, rejected the corporation's 6 per cent offer.

In electricity supply, Mr. John Lyons, general secretary of the Electrical Power Engineers Association, quoted similar figures and warned that unless the Government was prepared to be flexible a "head-on clash" would be unavoidable.

Schemes

Referring to the recent unofficial power station black-out, he said the Government should consider as real the threat of a strike by manual unions.

Miners pay talks may be less worrying this year for Ministers because productivity schemes are already putting cash into miners' pockets.

Resistance to such schemes within the National Union of Mineworkers appears to have virtually collapsed according to the National Coal Board. The result of a ballot in the big Yorkshire area, due to be declared today, will show a two-to-one vote in favour of bonus payments.

One reason being put forward by Mr. Varley, as the sponsoring minister for steel, and Sir Charles, did not publicly state the forecast losses for British Steel is that neither man believed the forecasts. They were being advised that an upturn in the steel trading cycle could be expected late last year.

Yet the Scholey summary of the financial deterioration of the corporation, as presented to the July Board meeting, contained all the warning signs of a deepening trade slump.

A loss of £71m. over estimates for 1977-78 was likely to be incurred because steel was becoming harder to sell and prices were falling. A provision of an additional loss of £25m. to cover a further decline in sales was included.

Editorial comment and Men and Matters, Page 10

THE LATEST SECRET inflation estimates in Whitehall are more optimistic than last autumn about the likely rise in overall earnings in the current pay round. But the expected increase is still higher than the officially stated 10 per cent target.

A rise in average earnings of between 12 and 14 per cent, is now estimated in the year to July. This compares with an earlier projection of an increase of between 14 and 16 per cent.

Less than a fifth of all workers have settled in the current round, and the main test will come in the next few weeks. So it is likely that Mr. Denis Healey, the Chancellor, will want to see rather more evidence of pay deals, as well as other economic developments, before making his main Budget decisions.

Consequently, opinion in the Treasury appears to be strengthening in favour of a Budget Day after rather than before Easter. The most likely dates, depending on the length of the Easter Parliamentary recess, are April 4 or 11, though no decision has yet been taken.

Lower

If present trends continue Mr. Healey is likely to announce substantial income tax cuts in the budget of £20m. or more, concentrated at the lower end.

The Government is engaged in the rather delicate operation of simultaneously trying to preserve the 10 per cent limit for present and future wage negotiations, while conceding that an overall earnings outcome of slightly more than this figure should not be seen as a disaster.

The recent rise in sterling means that even if earnings do increase by about 12 to 14 per cent, in the current round, the 12-month rate of retail price inflation could remain in single figures during 1978.

Mr. Healey's private view has apparently been that the Phase Three pay policy will have been worth having if it produces pay rises nearer to 10 than 15 per cent.

The Chancellor has publicly talked about the policy "holding very well on the whole," with only two large private-sector settlements above 10 per cent earnings target.

The present state of guarded optimism follows the end of the firemen's strike, and several powerful groups, such as the power workers, have still to settle.

The latest pay projection is not a forecast in the conventional sense, but rather a tentative estimate based on the experience since last summer and pointing to an annual rate of reflecting considerable uncertainty.



Mr. Healey: wait and see

Apart from the small number of workers who have settled so far, a further complication is provided by the existence of productivity arrangements. In theory, these should be self-financing and not add to unit labour costs, though they will boost the index of average earnings.

The overall earnings rise apparently reflects an estimate that about a fifth of the deals contain some productivity element, and these could add between 5 and 10 per cent to take-home pay.

This points to quite a small addition to national earnings, though there is also likely to be a boost from drift as workers move between employers or are promoted.

There are also some changes in working hours and fringe benefits.

Established

The main reason why the overall increase in earnings is likely to be above 10 per cent, is that this figure is becoming established as the going rate for basic wage rises. These would have had to be between 5 or 6 per cent to meet the overall earnings target.

Figures published by the CBI last week indicate that 86 per cent of 25m. workers settling under Phase Three had accepted deals at or below 10 per cent.

The Department of Employment figures at present cover only the first three months of the policy up to the end of October, with the November index due out on Wednesday.

point to an annual rate of increase since July of 11 per cent.

Sir Charles stands firm in BSC finance row

BY ROY HODSON AND PHILIP RAWSTORNE

SIR CHARLES VILLIERS, chairman of the British Steel Corporation, said last night that he will not resign over the row between the corporation and the Government.

Photographs of internal forecasting documents prepared by British Steel for the members of the Select Committee on Nationalised Industries and the Government.

The committee meets tomorrow. Its chairman, Mr. Russell Kerr, Labour MP for Feltham, stated that the members of the Opposition, are all anxious that the committee should press the Government for more information in the light of the new knowledge about British Steel's deteriorating financial situation last year.

The committee is expected to ask again for full disclosure of all correspondence between Mr. Eric Varley, the Industry Secretary, and British Steel during the crisis months of the deepening world steel slump last year.

Mr. Kerr said last night he was "very disturbed" by the disclosures. "Where there is an area of uncertainty like this and it is possible that key facts are being withheld from the committee by the Government, it is essential to establish the facts, then the case for strengthening the committee's powers is, in my view, unanswerable," he said.

A Commons motion calling upon Mr. Varley to give MP the papers has now been signed by nearly 80 MPs.

Mr. Michael Foot, Leader of the House, last week cold-shouldered the committee's recommendations—when it reported on its inquiry into the British Steel Corporation—that the correspondence should be produced. He insisted that the Government must first reply by April 1st (the date of the operating plan) privately

studying forecasts that the corporation might make a record annual loss of £350m. in the current year.

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Plans for £200m. synthetic rubber plant abandoned

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BUILDING A £200m.-£250m. synthetic rubber plant, one of the most ambitious schemes ever promoted as part of the Government's industrial strategy, appears to have foundered because of problems over feedstock prices and availability.

Extraordinary opportunities for industry in Western Australia.

Natural gas is the key.

Australia's largest ever resource development project is entering its final planning stages—the \$3,000 million North West Shelf gas fields.

Huge as it is, the natural gas project is only one of several projects that will take place during the 1980's. A further \$7,000 million will be invested in iron ore, alumina, nickel, uranium, coal, mineral sands, solar salt—and oil.

NEW PLANT, EQUIPMENT AND SERVICES FOR DEVELOPMENT

- Much of the plant, equipment and services will have to be imported from recognised and proven overseas suppliers.
- Some of the plant, equipment and services are not currently available in Western Australia but could be.
- Some of the plant, equipment and services are available in Western Australia and could be expanded with input from experienced overseas technology, and capital.

WESTERN AUSTRALIA WELCOMES INDUSTRIAL ENTERPRISE

The Western Australian State Government offers you a climate of encouragement and assistance. The Government's policy is to stimulate joint ventures and licensing agreements for local industry with companies from overseas.

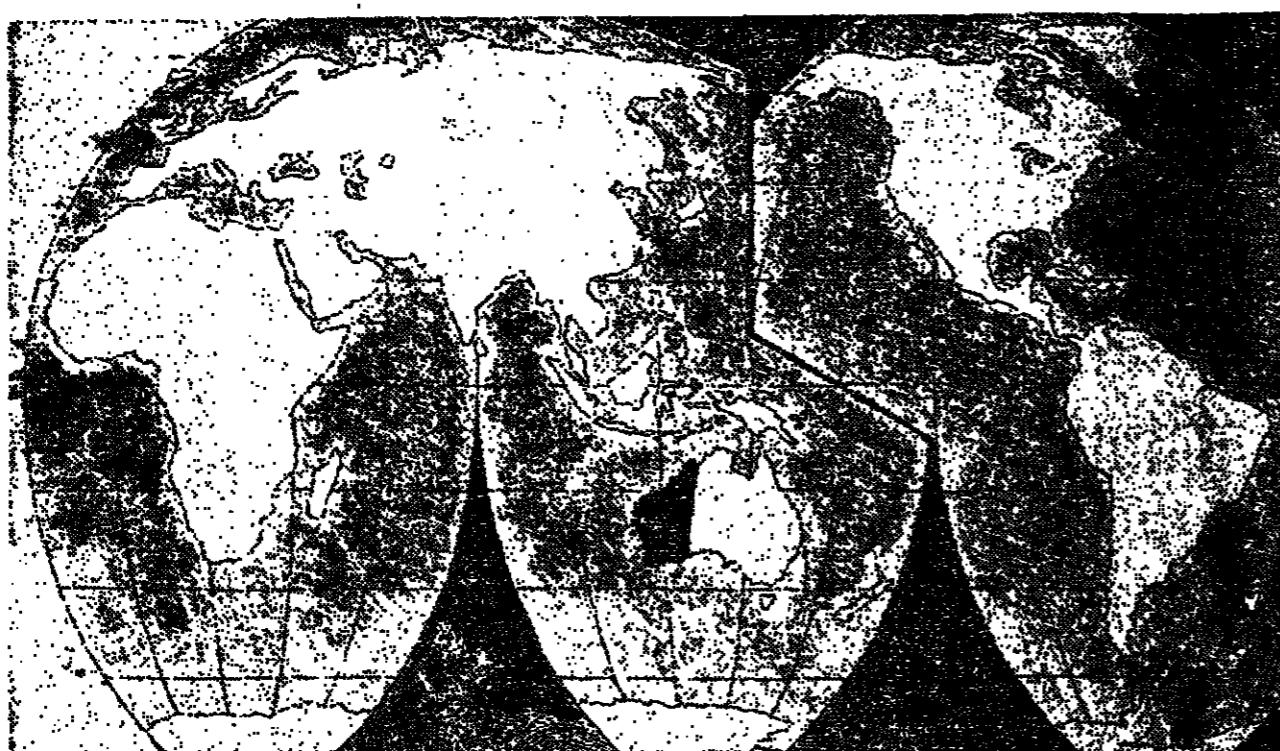
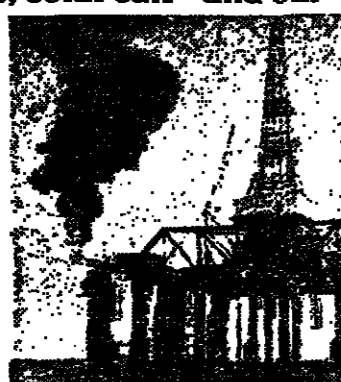
If you wish to participate in the development of Western Australia's resources your point of contact in Australia is The Co-ordinator, The Department of Industrial Development, 32 St George's Terrace, Perth 6000.



TALK TO THE MAN WHO KNOWS WHAT'S HAPPENING

The Co-ordinator of Development, Mr. E.R. Gorham, will be in the UK and Europe as part of a seven man mission, led by the Hon. Andrew Mearns, Minister for Industrial Development, Mines, Fuel and Energy.

Mr. Gorham will be available for personal appointments in London between Monday 13 February and Friday 17 February. For an appointment contact the Agent General for Western Australia, 115 Strand, London WC2R 0AJ, England. Telephone 01-240 2881. Telex 25595.



Delays to overseas Christmas mail

Owing to sea and air transport problems, Christmas mail to and from several countries was delayed. In particular a two-month dock strike at American East coast ports which started on 1 October 1977 has delayed the despatch of all pre-Christmas surface mail from the USA to Britain. Christmas cards, letters, calendars and parcels as well as business mail were affected.

Letters and parcels posted in the USA in October and November 1977 are now being received in Britain. Every effort is being made to deliver this mail as quickly as possible but, with such a huge backlog, it could be some time before all deliveries are completed.

The Post Office regrets the disappointment to so many families caused by the delay to their Christmas cards, letters and parcels and the inconvenience caused by the late delivery of business mail, due to circumstances entirely outside Post Office control.



OVERSEAS NEWS

Sun Life defers decision on moving headquarters

BY ROBERT GIBBENS

MONTREAL, Jan. 15.

THE SUN LIFE Assurance Company of Canada has delayed its decision to move its headquarters from Montreal to Toronto. This was made clear in a statement by President Thomas Galt and Chairman Alastair Campbell, following a special board meeting yesterday.

The directors had met for five hours to consider a decision made eight days earlier to move the headquarters. The statement indicated the Board would go ahead with the January 27 policyholder's meeting in Toronto, but the resolution to approve the move of headquarters to Toronto would not be placed before the meeting.

Another policyholders' meeting is planned in about three months, with new proxies, the statement said, at which the resolution would be put. The

final decision by management on the actual move could take up to two years, and could be based on conditions in Quebec, at the time.

Meanwhile, there would be no major move of personnel from Montreal.

The Sun Life, with \$Cdn. assets and worldwide insurance in force of \$Cdn. 20.7 billion at the end of 1976, including \$Cdn. 10 billion in Canada, has nearly 2,000 head office personnel in Montreal.

It had said eight days ago that most of these would be moved to Toronto over a period of years, cited as grounds for the move the restrictiveness of Quebec's new French language charter, which prevents Canadians transferring to Quebec from other provinces from having the right to publicly-financed education for their children in the province.

This means, said Sun Life, it could not get sufficient Anglophone specialists and managers to maintain the headquarters operation in Montreal efficiently.

Mr. Campbell and Mr. Galt had two meetings with Prime Minister Pierre Trudeau and Finance Minister Jean Chretien last week—the last on Thursday evening.

Following this, Mr. Chretien said they had agreed to call another Board meeting on Saturday to reconsider the previous decision to move.

The federal government had earlier made it clear it felt the Sun Life's proposed move would have a snowball effect on other companies with headquarters in Montreal, and would play into the hands of the separatist Parti Quebecois government, making the fight for Canadian unity more difficult.

Harmsworth bid for Trib fails

BY JOHN WYLES

NEW YORK, Jan. 15.

ASSOCIATED Newspapers' bid for a controlling stake in the Trib, New York's new morning newspaper, has been turned down largely because of disagreements over editorial control.

Confirming that negotiations are at an end for the time being, Mr. Leonard Saffir, the Trib's publisher and editor-in-chief, said to-day that "Associated's price was OK but what they wanted for it was out of line."

He added: "I have a great respect for David English but this newspaper was not started to give him a job in this country."

This reference to the possible involvement of Mr. English—the editor of Associated's Daily Mail—in the Trib is the only clue Mr. Saffir will give as to

Associated's demands on editorial control.

Mr. Saffir confirmed that during negotiations last week the Hon. Vere Harmsworth, Chairman of Associated, had sought "in excess of 50 per cent" of the Trib and that the newspaper's proprietors were interested in obtaining new investment because "it would enable us to do certain things we are not doing now, such as expanding to another city and spending more on advertising and promotion."

Mr. Saffir, along with other shareholders, whose identities remain undisclosed, has spent approaching \$4m launching the Trib. His negotiations with Mr. Harmsworth have aroused considerable speculation about the financial condition of the Trib,

which appeared for the first time last Monday.

Mr. Saffir said he was at pains to stress to-day that his newspaper was financially healthy and "not for sale." But he also acknowledged that "we don't have a bottomless well of dollar bills," and for this reason had had discussions with Associated and "others who had made approaches."

Mr. Harmsworth is believed to have left New York on Saturday and there is no indication here as to whether Associated has totally abandoned its interest in the Trib. One possibility, of course, is that if the newspaper fails to maintain its objective of a 250,000 daily sale and to build up its advertising, its owners may take a different view of any takeover bid in a month or two's time.

Rift in French 'Majority' consolidated

By David Curry

PARIS, Jan. 15.

AS LEADERS of the "Majority" parties supporting the French coalition Government prepare to meet President Giscard d'Estaing tomorrow, the smaller parties have made it clear that they will not abandon their plan for joint candidates, challenging the Gaullists, in three-quarters of French constituencies.

The Republicans—the President's own party—the Centrists, and the strongly anti-Gaullist Radicals have published a list of 383 joint candidates for the March general election. Around half are Republicans, a quarter Centrists, and some 50 of those so far named, Radicals.

Last week the Gaullists tore up the separate election pact between themselves, the Republicans and the Centrists to present joint candidates in about 120 seats.

They said the decision of the other parties to conclude their own private pact was an anti-Gaullist front. They also noted that the Radicals, who had refused completely to join the earlier pact, proclaiming that they wanted an end to the "Gaullist-organised state," had made no promise to abide by the general rule to consolidate behind one candidate at the second round of voting.

In retaliation the Gaullists to-night announced an initial list of 10 candidates for seats which under the previous agreement would have been left to a Republican or Centrist. In particular they are opposing the Republican chairman M. Jean-Pierre Solson and three non-Gaullist Government Ministers.

Muzorewa attacks Owen

BY TONY HAWKINS

SALISBURY, Jan. 15.

BISHOP Abel Muzorewa, leader of the United African National Council, this weekend scathingly attacked Dr. David Owen, the British Foreign Secretary, for "meddling" in the current Rhodesian internal settlement talks.

He said in doing so highlighted the growing gap between domestic and external nationalist opinion.

The Bishop said he "deplored with contempt" Dr. Owen's efforts to revive the "cold and dead" Anglo-American settlement proposals in what he said was an effort to outflank the talks between Mr. Ian Smith, the Rhodesian Premier, and the three domestic nationalist parties.

He described Dr. Owen's activities as having the "sole purpose" of improving his chances for election in the coming British general election.

Rhodesian officials also see the British Foreign Office as determined to undermine the internal settlement talks.

The Bishop criticised certain frontline leaders—presumably those of Zambia and Mozambique—and the British government for seeking to deprive the 6.7m.

black Rhodesians of their inalienable right to determine their own destiny.

The Bishop said it was important to retain whites in Rhodesia because of their importance to the economy. Other African states, he said—in a clear reference to Zambia—had to beg for bread and salt as a consequence of their "wild economic policies."

The Bishop's statement has been welcomed by white political leaders here despite his warning that progress in the internal settlement talks had been "far too slow."

His remarks are clearly intended to embarrass Britain and place Britain in the position of interference and support for the Patriotic Front, led by Mr. Joshua Nkomo and Mr. Robert Mugabe.

They follow statements last week both by Lord Carver, Britain's Resident Commissioner-designate for Rhodesia, and a Foreign Office spokesman, warning that any agreement that did those of Zambia and Mozambique—and the British government Front would be unacceptable for seeking to deprive the 6.7m.

Ethiopia rejects peace call

ETHIOPIA last night rejected President Carter's appeal for peace talks to end the bitter dispute with Somalia over the Ogaden region and demanded that Somali forces withdraw immediately.

In a toughly worded statement, the Foreign Ministry also warned that Ethiopian-American relations might suffer. "If the U.S. Government continues its policy of interference and support for the Somali aggressors, such an irresponsible act will inevitably force Ethiopia to reconsider the framework of her relationship with the American Government," it said.

On Saturday the Somali embassy in London called on African countries to mediate and said it was ready to hold talks with Ethiopia.

In yesterday's statement, the Ethiopian Foreign Ministry accused the Somalis of "wanton and unprovoked aggression." It said the U.S. Administration had encouraged them and thereby shared responsibility.

UPI reports from Tehran: Saudi Foreign Minister Prince Saud al Faisal on Sunday warned Ethiopia that Saudi Arabia would certainly help defend Somalia "if its borders were violated by foreign powers."

Obituary: HUBERT HUMPHREY

The spirit of a simpler age

BY JUREK MARTIN IN WASHINGTON

HUBERT HORATIO Humphrey must have had one consolation during the last months of his life as he battled valiantly with the inroads of cancer. This was that much more than any contemporary in a long political life, much more certainly than his two principal nemesis—Lyndon Johnson and Richard Nixon, he had genuinely and unreservedly won the affection of the American people.

In the end this reflected a personality that was able to transcend policies and politicians. For while Hubert Humphrey may not have been always a wise man, he was without question good and decent, motivated by honourable intentions and real compassion, personally above reproach and not given to displays of rancour. These are qualities that have seemed more prized than ever to a country which, over the last decade has come to look on its leaders with a justifiably cynical eye and which perceived in Senator Humphrey the nobler spirit of a less complex age. The extraordinary public acclaim that marked the months before his death on Friday night at the age of 66 was both unprecedented and heartfelt.

The great unresolved question, however, must remain whether the former Vice President and long time Senator from Minnesota would have made a good Chief Executive. Few men have ever wanted the Presidency so much and few have ever run for it so often—seven times, in all, from a first "favourite son" candidacy back in 1932 to a fleeting last abortive "draft" movement in 1976.

If the question had been posed before he became Vice President in 1965, there would be fewer doubts than to-day. The pre-Vietnam Humphrey was an articulate and extremely effective champion of the underprivileged. Growing up in the Depression, at small town, chemist who became at the end of the war a crusading young mayor of Minneapolis, in the Senate he was appreciably ahead of his time, the architect of much valuable social legislation.

But Vietnam and Lyndon Johnson together undermined public credibility in Mr. Humphrey's judgment. An early opponent of the escalation of American involvement in Vietnam, he was ruthlessly silenced by President Johnson and then crudely turned, uncompromisingly, into the Administration's leading cheerleader for the war effort. His considerable

liberal constituency, which could still have put him in the White House, wondered how a man whom so much confidence was placed could be so easily used and abused, and never again re-formed behind him.

None the less, in 1968, simply by dint of his matchless energy and enthusiasm, Hubert Humphrey nearly pulled off what would have been one of the most remarkable come-from-behind victories in Presidential political history. The compromise choice of an impoverished, bitterly divided party, whose bright star, Robert Kennedy, had been extinguished by a bullet and whose liberal wing had taken off on an anti-war pilgrimage behind another Minnesotan, Eugene McCarthy, and up against a coldly professional, amply funded Republican organisation under Richard Nixon, the "happy warrior" nearly pulled it off. His stump oratory, garrulous, all promising yet ultimately humane, had never been put to finer use.

The later bids for national office were less glorious. In 1972 he led a last ditch establishment attempt to deny the nomination to an old friend and protégé, George McGovern. It was not an honourable performance and nor was that in 1976 when he wavered this way and that over

entering the race or brokering the convention as a means of stopping Jimmy Carter's entry.

There was still more bitter pill to follow at the end of 1976 when his Senate Democratic colleagues preferred Robert Byrd, a man whose record piled into insignificance in comparison, as their majority leader. Politics, it must have seemed then, was an unkind business, made only less cruel when the Senate voted to create a special post for Mr. Humphrey.

Legacy

In the very end, after memorial ceremonies in Washington to-day for the President, he never attained the enduring legacy of Hubert Humphrey seems clearer. It is one of hope, zest for life and genuine belief in the inherent goodness of mankind. He surely would have appreciated the fact that the crowds which filed past his casket, as it lay under the dome of the Capitol, represented a true cross-section of America—Blacks, old and young, working people and the high and mighty—all of whom, in some way, had been touched by a very remarkable public servant.

Australia to make yen bond issue

BY KENNETH RANDALL

CANBERRA, Jan. 15.

AUSTRALIA is to make a public bond issue of about ¥500m (about £100m) in the Tokyo capital market next month as part of its continuing \$A1,700 (£1,010m) foreign borrow programme in support of a Australian dollar.

The Treasurer, Mr. Jol Howard, announced yesterday that the Government had filed a registration statement for a ¥500m issue with the Japanese Finance Ministry. The final amount, the issue will be determined closer to the event, but Mr. Howard said it was not expected to exceed ¥500m.

The Nomura Securities Company will be managing the issue, with a Bank of Tokyo as lead co-missioned bank.

Australia placed its name in the queue of potential borrowers in September when the defensive borrowing programme was announced by the former Treasurer, Mr. Philip Lynch.

Mr. Howard reaffirmed yesterday's statement that the Government would not hesitate to extend the overall programme beyond the planned \$A1,700m, necessary.

The point is given particular relevance by the release of Friday of official figures showing an apparent private sector flow of \$A302m in December of \$A302m, the largest in three months.

It was the September outflow of \$A351m, which prompted the announcement of the foreign borrowing programme. The December figure is on a part with those which, over two months, led to the 17.5 per cent devaluation in November, 1976.

Government officials are claiming privately that there are signs of the capital flow turning around in January, but the Opposition has seized on the latest figures to claim that the business community has lost all confidence in the Government's handling of the economy.

Cambodians hit back in border war

By Richard Nations

BANGKOK, Jan. 15.

FIGHTING in the month-old Cambodia-Vietnam border war renewed over the week-end, with Khmer forces appearing to inflict a number of sharp—if isolated—setbacks against Vietnamese troops positioned in the Parrot Beak area and Kampot province—the chief arenas of conflict.

Intelligence reports appear to indicate that after initial defeat, the Khmer forces have regrouped, behind Vietnamese lines, and launched counter-attacks from the rear. Vietnamese troops have been ordered to take tough retaliatory measures, according to field radio monitoring reports.

Meanwhile the official Vietnamese news agency over the week-end released a detailed list of Khmer border intrusions during January and January 11. In the most serious of these the agency claimed, two regiments of Khmer troops penetrated four kilometres into An Giang province in Vietnam's Mekong Delta area.

Analysts here read these reports as further indication that Khmer forces are actively harassing Vietnamese troops along the border, and have not been as thoroughly crushed by Vietnam's eight division invasion force, as had been thought.

However, diplomats here also believe the reports could signal Hanoi's intention to extend its military campaign in Cambodia after a quiet week consolidating its forward line west of the Mekong.

WORLD TRADE NEWS

Industrialists to go with Barre on China visit

By DAVID CURRY

PARIS, Jan. 15.

THE HEADS of some of France's most important power engineering, nuclear contracting, chemical and oil groups will accompany M. Raymond Barre, Prime Minister, on his China trip, which starts on Thursday.

They include the chairman of the non-nuclear power engineering group, Alstom-Atlantique; the energy specialist consultancy, Schip; the chemical and petroleum process plant constructor, Spiech; the Rhodens-ouche chemicals group; the nuclear contractor, Genset; and Elf-Aquitaine oil group, which recently won the prospecting franchise to seek oil in Vietnam.

Other members of the delegation include senior industry ministry officials covering, in particular, the energy and four television fields. Within the past few months, major military and petroleum missions have visited France, and it is thought that the signing of at least a nuclear fuel agreement, which has been reserved for M. Barre's visit, will be a significant event.

\$200m. Saudi hotels deal

TURNER INTERNATIONAL Industries, a subsidiary of Turner Construction, has been awarded a contract for construction of three de luxe Hilton hotels and related convention and resort facilities in Saudi Arabia. The total value of the contract is in excess of \$200m. AP-DJ reports from New York.

The overall project will be constructed in three phases with the first phase commencing in January 1978 and completion of all three phases expected by December 1980. Owner of the hotel is the Real Estate Development Company—Redco—of Riyadh with Hilton International as operator.

• Bwator Shellbear Group has been awarded three water treatment and supply contracts by the Nigerian Ministry of Defence in Lagos for the army barracks at (Kukuba Jos, Takum in Gongola State and Makurdi in Benue State worth a total of £3.8m. The Bwator Treatment Division has also received a similar contract direct from a Nigerian contractor for the army camp water supply valued at £1.6m.

• Creusot-Loire Enterprises has been awarded a contract by the Ivory Coast coffee producer, to set up five turn-key plants for sheeling coffee beans

megawatts (for which U.S. clearance will be necessary, since the technology was developed by Westinghouse), while Alstom is interested in supplying a 600 megawatt coal-fired power station.

Technip is talking about providing spares for chemical plants, while Spiech is also discussing the supply of spares for a petrochemical complex it is engineering. The main interest of Henry is in a Frs300m contract for two plastic plants.

In addition, plans are likely to be made for a machine tool seminar to take place in the spring. The Chinese are thought to be interested in certain sectors not represented on the mission, including transport material and possibly aerospace equipment.

France has asserted the independence of her nuclear export policy. Referring to the sale of a research reactor to Iraq, about which the U.S. has confirmed its misgivings, the French Foreign Office has declared: "We have no intention of consulting anyone on the principle and specifications of our export of nuclear material."

However, the statement noted that the safeguards agreed with Iraq were in full conformity with the principles enunciated by the nuclear exporters' club in the London agreement. This reflects France's insistence that she will impose unilateral conditions on her nuclear sales which will be as severe as those set by other nuclear exporters multilaterally.

China is to speed up its harbour construction programme this year to meet the needs of economic development and foreign trade. The New China News Agency (NCNA) reported today.

It said 19 new deep-water berths for vessels over 10,000 tons had gone into use along the China coast in 1977. Emphasis had been placed on improving the three major sea ports of Shanghai, Tientsin and Canton, on large deep-water berths and on mechanised and automated loading and unloading procedures.

Australia increases some duties

By Kenneth Randall

CANBERRA, Jan. 15.

AUSTRALIA is imposing higher import duties on travel goods and fork lift trucks following an inquiry into claims that rising imports were disrupting local production. Imports of travel goods in 1976-77 were valued at more than \$A18m, and fork lift truck imports were at about the same level.

The present 34 per cent duty on most types of luggage will be raised to 55 per cent, except for imports from New Zealand and Papua New Guinea, which will continue to be duty free, and from developing countries, which will maintain their present margins of preference.

The higher rates will apply for 18 months in line with a recommendation by the government's Temporary Assistance Authority (TAA) that a smaller, restructured local industry could emerge within that time, given greater interim protection.

In the case of fork-lift trucks, the higher protection for local producers is intended to maintain their market share pending more detailed study of their long-term prospects. It, too, will apply for 18 months.

The assistance will take the form of a specific duty of \$A2,500 per vehicle for work trucks with lifting capacity of more than 1,500 kg but less than 4,000 kg. Present rates are either 30 per cent, or \$A500 in most cases.

Commission payments threaten Westinghouse Philippines order

By JOHN WYLES

NEW YORK, Jan. 15.

WESTINGHOUSE ELECTRIC'S \$1.1bn. contract to build a nuclear power plant in the Philippines may be in jeopardy because of payments the company allegedly made to a close friend and relation by marriage to the President, Ferdinand Marcos.

The New York Times reports this morning that President Marcos has announced that he is considering cancelling the \$700m. contract in 1974, was leaning towards a General Electric proposal for building two 600 megawatt reactors for a total of \$1.2bn. However, says the New York Times, the decision went in favour of Westinghouse, which priced the two reactors at \$1.2bn. in March, 1975, and then later in the year changed the project's cost to \$1.1bn. for just one reactor.

Westinghouse has reportedly acknowledged making the payments "for assistance in obtaining the contract and for implementation services."

The New York Times quotes banking sources who variously estimate Mr. Disini's fee at \$5m. or \$35m. According to the newspaper story, the Presidential committee, which was to make a decision on the contract in 1974, was leaning towards a General Electric proposal for building two 600 megawatt reactors for a total of \$1.2bn. However, says the New York Times, the decision went in favour of Westinghouse, which priced the two reactors at \$1.2bn. in March, 1975, and then later in the year changed the project's cost to \$1.1bn. for just one reactor.

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Asia Industries, the Westinghouse distributorship in the Philippines—June, 1974, and was also the owner of a small insurance company which wrote the \$668m. policy on the nuclear plant, the largest ever written in the Philippines.

Although construction work on the reactor has been under way since 1976 the New York Times quotes President Marcos in its story written from Manila saying that if lawyers conclude that the contract was illegal, then the possibility of making a payment for work completed, and then cancelling the contract and giving it to another company would be considered.

U.S. Soviet trade study

WASHINGTON, Jan. 15.

THE INTERNATIONAL Trade Commission (ITC) said it will investigate U.S. trade with the Soviet Union, AP-DJ reports.

The fact-finding inquiry will examine past trends, recent developments and future prospects for U.S. exports to the Russians.

The ITC said it decided to undertake the inquiry in the light of recent data indicating that the growth of U.S. exports to the Soviet Union "has begun to level off," following a period of relatively rapid expansion. It also appears, the ITC said, that the U.S. "favourable balance of trade" with the Soviet Union has begun to slip.

Among other things, ITC said it will consider various U.S. restrictions on trade and credit, the impact of Soviet state planning on Russian trade patterns, and Russian agricultural developments, including Soviet grain imports.

Labour MP Mr. Gwilym Roberts is to ask British Trade Secretary Mr. Edmund Dell in the Commons this week what plans he has for amending an "embargo list" of goods and technical services which British exporters are not allowed to supply to Warsaw Pact countries. Mr. Roberts claims that exporters are being "stuffed" by the list which he describes as "an absurd survival from the cold war." The list, he said, includes items in the electronics fields as well as tin cans and hundreds of other items.

Slump in S. African car sales

By BERNARD SIMON

JOHANNESBURG, Jan. 15.

MOTOR CAR sales in South Africa last year were at their lowest level since 1968, and commercial vehicle sales the lowest since 1969.

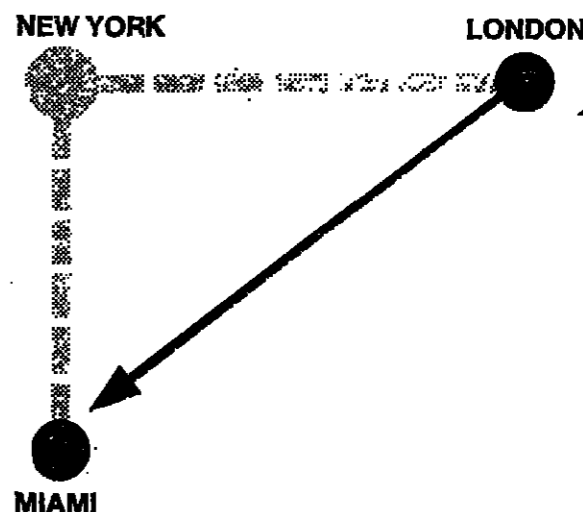
According to the National Association of Automobile Manufacturers (NAAMA), 166,764 passenger cars were sold during 1977, almost 10 per cent below the 1976 figure of 185,132 units. Truck sales totalled 90,032 units, compared with 115,116 in 1976. It is estimated that the South African motor industry lost R48m-50m. during 1977.

Thanks partly to the introduction of a popular new Corolla model, Ford was the most successful of the country's 13 major motor manufacturers, capturing about one-fifth of the passenger car market.

Other leading car makers were Datsun, Toyota, Volkswagen and Sigma (whose Mazdas accounted for 14 per cent of total sales in December 1977, compared with less than 8 per cent in January). Toyota (with sales of 18,943 units) was the leading commercial vehicle manufacturer, followed closely by Datsun.

Mr. Noel Phillips, the president of NAAMA, said yesterday that he expects a small increase in sales this year as a result of an improvement in general economic conditions and the introduction of several new models. Most observers predict that 175 to 180,000 cars will be sold in 1978. However, Mr. Chris Griffiths, the chairman of Sigma Motor Corporation, said: "We do not foresee any growth in the light commercial field."

National: the easy shortcut to southern USA.



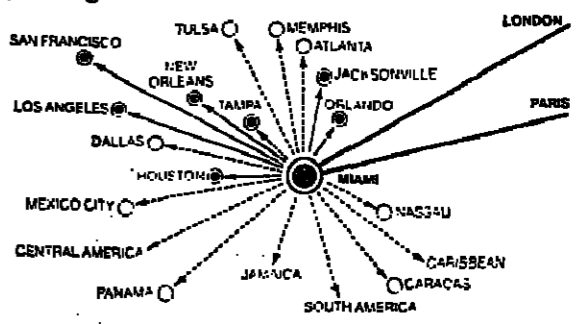
Heathrow nonstop to Miami in DC10 super-comfort. The fare's the same, so why go the long way round? Take the sunshine route: National's shortcut direct to Miami. We fly wide-cabin DC10s to give you more comfort, more leg room. We serve a choice of menu and French wines.

ON TIME

Our service, as our businessmen passengers will tell you, is the way they want it. Speedy, streamlined ground handling, fast and efficient in flight. With a personal sunny touch that's all our own. National has a 95% on-time record across the Atlantic to Miami—the perfect place to make a short stopover and take the sun-drenched cure for jetlag.



Our shining service stays with you, too, when you fly onwards to Houston, New Orleans and other major cities in the South and Southwest. We don't switch you to another airline or terminal. And from Miami we have excellent connections to the Caribbean and Central and South America. We never forget that the only flight that matters is the one you're on. It's why three out of four of our passengers have flown with us before.



The Southern Gateway to the USA

OTHER OVERSEAS NEWS

Cyprus leaders meet

The leaders of the two divided communities of Cyprus, long regarded as implacable political enemies, met for the first time yesterday at a luncheon given by UN Secretary-General Kurt Waldheim. Reuter reports from Nicosia. President Spyros Kyprianou, leader of the Greek-Cypriot majority on the island, and Turkish-Cypriot leader Rauf Denktaş met at the headquarters of the UN peace-keeping force at Nicosia airport.

Jamaica devalues dollar by 10%

The Jamaican dollar has been devalued by 10 per cent, because of the country's failure to meet the conditions of an agreement negotiated last year with the International Monetary Fund. Canute James writes from Kingston. Under the agreement, Jamaica was eligible to borrow \$74m. in several tranches over a two-year period. The first drawing of \$22m. was made on October 10, but the second, scheduled for December 15, was not made because the island could not achieve the requirements of the domestic asset tests.

Mediterranean clean-up talks fail

Seventeen countries failed at the week-end to agree on action to halt the mass flow of untreated sewage and industrial waste into the Mediterranean. Reuter reports from Monte Carlo that officials said two major issues were behind the conference's failure. One was the high cost of cleaning up the thousands of factories and sewage plants which foul the sea. This was estimated to be \$50m. over a 10 to 20-year period. The other was the fear of developing countries in the southern Mediterranean that they were being forced to accept restrictions which could delay their economic development.

Airlines disagree

A meeting of the world's major transatlantic airlines, trying to agree on common low-cost fares, broke up on Saturday without agreement, writes Reuter from Geneva. A spokesman for the

International Air Transport Association (IATA), to which 87 airlines belong, said they had failed to reach any basis for agreement on a common fare structure between the U.S. and Europe. The delegates decided to recess their talks until a date not yet decided, the spokesman said.

Zia names advisers

Pakistan's military ruler, General Mohammad Zia-ul-Haq, has formed a 16-member council of advisers to function as his cabinet to assist in the administration of the country, reports UPI from Rawalpindi. All advisers—11 civilians and five from the military—have the rank of federal ministers.

Portuguese deadline

Portuguese President Eanes has given caretaker Prime Minister Soares until Wednesday to obtain a political pact enabling him to form a government, writes Diana Smith from Lisbon. Having recovered from the severe attack of flu which kept him bedridden last week and delayed political negotiations, Sr. Soares must now make a final attempt to woo the powerful Communists back to the bargaining table, since President Eanes appears adamant that a new government must have the broadest parliamentary consensus possible so as to avoid political polarization.

Indonesia graft

Indonesia's anti-corruption squads apprehended about 1,400 people during the last three months of 1977 in a campaign against graft and bribery in Government and administration, the Government said. Reuter reports that Administrative Reform Minister Johannes Sumartono announced the figure after recent criticism of the Government by students and sections of the Moslem community who said the campaign was petering out without touching important figures.

Peru austerity moves

Peruvian Economy and Finance Minister Alcibades Saez Basallo has announced a fresh package of tough austerity measures aimed at cutting the country's balance of payment deficit and at reducing the rate of inflation, writes Reuter from Lima.

World Economic Indicators

	Dec. 77	Nov. 77	Oct. 77	Dec. 76	% change over earlier	Index base year
W. Germany	142.7	142.3	142.1	138.0	+ 3.4	1970=100
Holland	185.3	185.4	185.0	175.8	+ 5.4	1969=100
Italy	124.7	124.1	122.3	108.5	+ 14.9	1974=100
U.K.	187.4	186.5	185.7	163.8	+ 13.0	1974=100
France	188.9	188.2	186.7	173.2	+ 9.1	1970=100
U.S.	185.4	184.5	183.3	173.3	+ 6.9	1967=100
Belgium	124.95	123.78	122.79	116.46	+ 6.5	1975=100

National Airlines

Contact: National Airlines, 81 Piccadilly, London W1V 9HF (01-629 8272) National Airlines Inc. is incorporated in the state of Florida, U.S.A.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOTERS

PROCESSING

Improved powder adhesion

DEVELOPED by Yorkshire Switchgear and Engineering Company for Aerostyle on a multigun automatic electrostatic powder plant installed in Leeds by Aerostyle, the Positive Earth system is claimed to overcome possible loss of earth continuity through the conveyor used to take components through a powder coating plant.

In an electrostatic finishing plant, it is vital to ensure that electrical resistances are minimised to prevent the reduction of the earth continuity between the articles being coated and the natural earth of the conveyor steelwork.

Although the structural steel and track sections of motorised monorail conveying systems usually provide adequate earth-

ing the high temperature greases sealed into the ball races of the wheels and the accumulation of lubricants applied automatically can introduce electrical resistivity.

Positive Earth ensures that good electrical contact is maintained between the work pieces and a "true" earth and has been shown to provide enhanced electrostatic attraction of the charged powder particles to the workpieces suspended on the jigs and thus maintain an earth continuity independent of the conveyor chain.

This improvement in electrostatic technique is incorporated as standard on Aerostyle electrostatic products.

Aerostyle, Sunbeam Road, London NW10 6JT. 01-965 3464.

High purity water units

FULLY automatic, a multi-stream demineralisation plant is being supplied for the new Aycliff, Co. Durham, polyvinyl chloride manufacturing unit of British Industrial Plastics, member of the Turner Newall Group.

The order was received by Advanced Water Services from the main contractor on the pvc project, Crawford and Russell International, who specified the parameters of this packaged water demineralising plant, with its bulk chemical handling facilities followed by vacuum deaeration.

High purity water produced by the treatment process has a conductivity of under one micromho and an oxygen content less than one ppm, operating continuously at 29 cubic metres per hour.

The units are supplied erected to speed installation and are two beds consisting of cation and anion exchange columns in series.

Further information on the plant supplied from Advanced Water Services, St. John's Industrial Estate, Tyler Green, High Wycombe, Bucks. Penn (049 481) 5151.

SERVICES

Converts TV line standards

THE FIRST DICE (digital standards converter) to be purchased by a privately owned company, specifically for use in the non-broadcast field, has been delivered by Marconi to Audio and Video.

DICE, for which Marconi Communication Systems has the world-wide manufacturing and marketing rights, was designed by engineers of the U.K. Independent Broadcasting Authority. Technically advanced, in its basic form it will convert 625-line PAL and SECAM colour television pictures to the 525-line NTSC standards used in the U.S., Canada, Central and South

A number of different types of standard converters have been developed over the years but DICE is the first to use digital techniques throughout to eliminate the need for careful alignment and to provide conversion without perceptible picture impairment.

Audio and Video has gained experience of DICE over the past two years by sub-contracting time on the only other unit in the U.K., that owned by ITN and made by the IBA.

It intends to offer a service whereby standards conversion will be within reach of every video user, and will become part of normal production budgeting, thus enabling users to have a set of masters in each television standard for world wide distribution of their products.

Audio and Video, 48 Charlotte Street, London, W1P 1LL. 01-580 7161.

ENERGY

Europe's largest aerogenerator

BIGGEST power generating windmill in Europe, a 30kW unit built by private enterprise at Aldborough, North Yorkshire, is feeding power to the local section of the national grid.

Designed away from the more fanciful concepts of North American aerogenerators with their troposkein (eggwhisk) blades which are hard and expensive to make, the windmill is intended to demonstrate that power can be generated in this way at costs comparable to diesel-electric sets, that is in the region of installation costs of some £100 per kW.

Yet nothing has been sacrificed in the design that might have reduced the strength of the equipment. The three blades, which sweep a diameter of 17 metres, are linked by struts which reduced bending stresses considerably both longitudinally and in the plane of the blades.

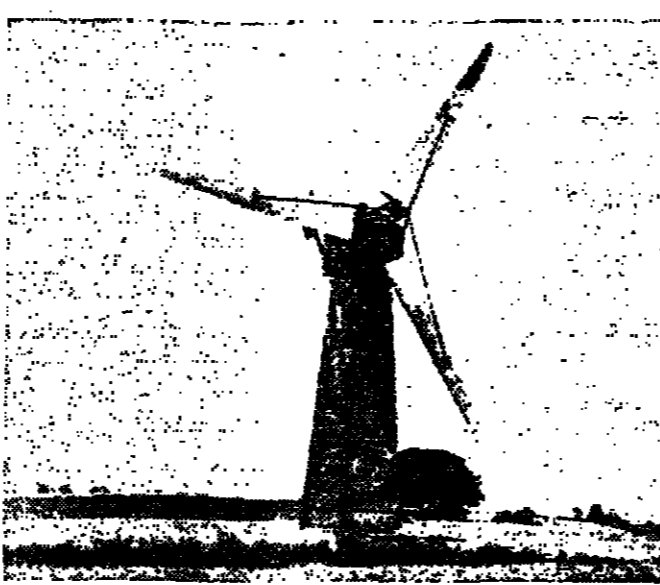
Extreme simplicity is also achieved by using hydraulic drive to eliminate complex and expensive shafts and gearing.

The air turbine runs at a constant wind speed/tip speed ratio and is very quiet in operation. It is of fixed pitch construction and is strong enough to be stopped when wind conditions demand without need to feather.

The power output mentioned above is in wind speeds of 6.5 metres/second and it is generated at 440V, three phase, 50 cycles in phase with the local 11 kV grid system.

Apart from this type of design, the builders would eventually be prepared to set up windmills of the same dimensions, but providing power through step-up gearbox and alternator for private owners, primarily for use in heating systems, which would be the simplest way of employing a feed which varies in voltage and frequency with wind speeds. Outputs of 70 to 80 kW at wind speed of 11 metres/second would be provided.

Sir Henry Lawson-Tancred, Applied in this way, batteries



whose idea this simple robust design originally was, and who had most of the windmill's components made by the local blacksmith, claims that it would be a simple matter to scale up the design to significant power output.

For a fourfold increase in windmill size to a blade swept diameter of some 68 metres, output would go up to a respectable 1.5MW at wind speeds of 11 metres/second. It is on the drawing board, and with luck could be operational by 1980.

It would produce grid power as cheaply as conventional sources and would be no more unsightly than the towers of the U.K. supergrid.

The hydraulic drive and the link to the existing power system are the essentials of the unit, the latter solving most of the problems of energy storage and of channelling the power generated to areas where windmills cannot be set up, either because of population density or because average wind speeds are too low.

Further developments continue for tackling the problem at greater depths and patents have been applied for.

The secret lies in transporting abrasive or other particles of the correct grade down to the divers' gun.

MACHINE TOOLS

Working to safe rules

IT IS NOT always practical to apply the principles described in BS 5304—Code of Practice for Safeguarding of Machinery—to the entire work area of certain machinery and some types of machine tools. The tool trades Association has prepared a code of practice for safeguarding sawing and cutting-off machines, which is to be the first of a series of codes devoted to specific safety aspects.

This MTTA work results from extensive research into available statistics together with an examination of the nature and cause of accidents attributable to contact with saw blades. The work supplements both British Standard 5304 and statutory regulations applicable to metal cutting machine tools: is primarily intended for use in connection with ferrous and non-ferrous workpieces, although the code has applications to other materials.

The publication contains information concerning design, construction and the application of safeguards. It is intended to assist all those connected with and responsible for safety, from senior management down to the machine operator.

MTTA on 01-402 6674.

SHIPPING

Ice-breaking at high speeds

CANADA'S shipping authorities, have successfully investigated and applied low-speed (6 knots) breaking of ice as much as two feet thick, using a hovercraft ahead of an icebreaker to insufflate air under the ice and leave it to break under its own weight.

Almost by chance they have also found that if a hovercraft is run across an icefield at a high speed—say 20 to 30 knots—the thrust on the surface of the ice sets up a steep bow wave which has the effect of shattering the

ice layers in a broad path behind the hovercraft. It can thus "clear" 18 square kilometres of ice-bound waters in up to two hours a task that would take a whole day for a conventional breaker, but demands a mere fraction of the fuel that otherwise would have been consumed.

The unit used was a Bell Voyager 100, though Britain pioneered the hovercraft idea and has supplied a number of such craft for use in Canada.

But there clearly is a market for more hovercraft from Britain for use in Baltic waters, to keep sea lanes open as long as possible or open them up earlier in the year. The same applies to the North Russian coasts and rivers though conditions there may often be too severe.

Canada's National Council is involved in the work described above.

More from Science Dimension, CNRC, Ottawa K1A 0R6, Canada.

MATERIALS

Phosphates cold steel

TWO NEW zinc phosphate volume concentration, and the other by immersion at 5 per cent by volume. Both are intended principally for phosphating cold rolled steel.

The steel can be degreased with the range of Jenolite emulsion or alkaline types, or solvent vapour degreasing can be used.

Coating weights up to five grammes/square metre are deposited.

More from the maker at Rushmore Road, Egham, Surrey (Egham 5486).

COMPUTERS

Biggest NCR machine

NCR has released two of its top-of-the-line computer systems, the Criterion V-5580 and V-5590, most powerful machines yet introduced by the company, which announced their development in the middle of 1977.

The new units provide a growth path for users of NCR equipment. Programs now in use on smaller machines can be operated on the new systems without an expensive and time-consuming conversion.

V-5590 has about twice the power of the V-5570, formerly the largest computer in the 8000 series. The V-5580 is about one third more powerful than the V-5570.

NCR proposes to introduce a still larger computer family, the V-6600, in 1978. The V-6600 models will be large-scale multiprocessors and will be NCR's first venture into the very large systems field.

More from the company on 01-723 7970.

Price is stated to be comparable with the best solution, but there is no fuel cost for heating water.

One of the versions is applied by spray at 2 per cent. by

Refurbishment is part of...

Norwest Holst total capability 01-235 9951

INSTRUMENTS

Detects gas dangers

HYDROGEN SULPHIDE is a dangerous gas encountered in a number of industries. It can be detected by smell (rotten eggs) at least one part per million (0.0001 per cent.) but this is not a satisfactory method as when the concentration reaches 100 ppm the sense of smell becomes insensitive in three to 15 minutes.

To detect the gas at its lowest concentrations, General Monitor has introduced a single channel continuous sensor. This has a linear scaled meter calibrated in ppm, and is available in ranges 0-30, 0-50 and 0-100 ppm. The unit includes high and low visual alarm status indicators and relay contacts for remote alarm.

It operates on a change of electrical resistance when exposed to the gas, and is unaffected by other gases.

Details from General Monitor, U.K. Oxford Street, Manchester M1 5AU (061-228 3182).

Finds faults in cables

ALMOST ANY fault on any type of cable can be located and identified with an instrument introduced by Bicostec.

Using a crystal controlled digital timing technique, the locator is claimed to have an overall accuracy better than 1 per cent. of range setting. Fault distances are shown in metres on a five-digit LED display. It can be used for fault finding on cables from 1 metre to 24 kilometres long, using ten range settings.

Weighing 9 kgs, including battery, the portable unit can be operated from the mains or a rechargeable nickel-cadmium battery. It is stated to be suitable for all dielectric and applications include low and high voltage power cables, overhead lines, pilot cables, telephone cables, coaxial cables, screened cables and underfloor heating cables.

The maker, part of the Balfour Beatty Group of BICC, is at Delamare Road, Chesham, Herts. EN8 9TG (Waltham Cross 29011).

CONTRACTS AND TENDERS

VALESUL ALUMÍNIO S.A. BRAZIL

INVITATION TO PARTICIPATE IN INTERNATIONAL PREQUALIFICATION TO TENDER FOR NEW PRIMARY ALUMINUM SMELTER TO BE CONSTRUCTED IN RIO DE JANEIRO, BRAZIL

1. VALESUL ALUMÍNIO S.A. (VALESUL) will build an aluminum smelting plant of 86,000 MTPY capacity in an industrial area of the Santa Cruz borough in the city of Rio de Janeiro. This plant will operate using prebaked anode pots at approximately 155,000 amperes, using Reynolds technology. Completion of the project is scheduled for July 1980.
2. VALESUL has applied for loans from commercial banks and from the International Bank for Reconstruction and Development (IBRD) towards the cost of supply of equipment, materials and services. VALESUL intends that the proceeds of these loans will be applied to payments under the contracts for which this notice is issued. If the IBRD loan is granted, payment by IBRD will be made only at the request of VALESUL in accordance with the terms and conditions of the loan agreement. Purchases covered by this loan would be limited to prequalified suppliers who are nationals of member countries of the IBRD and Switzerland.
3. Replies of suppliers interested in receiving enquiries for any of the categories of items listed below, should be received by VALESUL no later than February 15, 1978. These responses, in English or Portuguese, should contain the following information:
 - a) Categories of items for which suppliers are interested to quote.
 - b) Anticipated delivery times for equipment and materials, and schedules to furnish technical data and certified drawings after receipt of orders. This information should include process and equipment performance details and warranties, technical catalogues and supporting information, including experience with comparable suppliers.
4. List of customers with whom similar equipment is in service, including actual operating performance statistics, with plant name and location for inspection purposes.
5. Availability of after sales services and spares in Brazil.
6. List of items usually subcontracted, including the names of their suppliers.
7. Latest annual and financial reports.
8. Description, capacity and range of manufacturing facilities, including number of workers, present production and degree of capacity utilization. All replies should be addressed to: VALESUL Project, c/o Companhia INTERNACIONAL de Engenharia, attention WŁADYSŁAW STOLNICKI, RUA MELVIN JONES, 35 24P ANDAR - ZC-00, CEP-20.000, RIO DE JANEIRO, BRAZIL.
9. VALESUL reserves the right to verify all statements and to inspect suppliers' facilities to confirm capability to perform the work, and reserves the right to reject any prospective manufacturer without assigning any reasons therefore.
10. Prequalification of suppliers will be based primarily on past successful experience in supplying equipment for which prequalification is requested. This evaluation will also take into account technical suitability, delivery performance, after sales service facilities, and financial stability.
11. List of suppliers: the following list indicates the general categories of items that would be required for the VALESUL project:
 - 6.1 Compressors:
 - Total capacity 70,000 CFM
 - 6.2 Cast House:
 - Electric homogenizing furnace and transfer car,

- 14" billet saw,
- 24" slab saw,
- Dross cooling system including dust collection system,
- Mobile charging equipment,
- Chlorine and nitrogen system,
- 20 kg ingot inline casting machine with stacker,
- Direct chill casters,
- Degassing filter,
- Green mill and cathode paste:
- Turnkey package for a plant of 18 MT/hour capacity,
- 6.4 Carbon baking furnace (62,000 MTPY):
 - Equipment and instrumentation,
 - Refractories and insulating materials,
 - Anode conveying equipment and baking furnace cranes,
- 6.5 Anode roasting:
 - Induction furnaces (3MT),
 - Overhead power and free conveyor,
 - Specialized anode cleaning,
 - Stripping and conditioning equipment,
 - Roller conveyor and weighing station,
- 6.6 Dock unloading (300 to 600 MTPH):
 - Alumina pneumatic unloader and alumina conveying system;
- 6.7 Rectifiers and 138 kV switchyard:
 - Package for 1000 volts DC/175 kA capacity rectifier and switchyard equipment,
- 6.8 Potroom dry scrubbing furnace system:
 - Conveying equipment and bag house package;
- 6.9 Potroom:
 - Pot control panels,
 - Aluminum busbar,
 - Cathode flexibles,
 - Aluminum welding wire,
 - Carbon lining materials,
 - Jacking system,
 - Aluminum fume hoods,
 - Steel yokes,
 - Aluminum stem assemblies,
 - Diagonal aluminum saw and anode changing machine,
- 6.10 Potroom process control:
 - Process control equipment,
 - Multiplexes and cables.

STATE OF ISRAEL

MINISTRY OF LABOUR & SOCIAL AFFAIRS INDUSTRIAL DEVELOPMENT PROJECT - VOCATIONAL/TECHNICAL TRAINING JERUSALEM, P.O.B. 915

INTERNATIONAL COMPETITIVE BIDDING FOR EQUIPMENT

1. The Government of Israel—Ministry of Labour—plans to improve and expand its system of Vocational/Technical training institutions and for this purpose has received a loan from the International Bank for Reconstruction and Development (IBRD).
2. The Directorate of the Project announces the publication of the public international tender No. 1202.T for the supply of equipment in the technical/vocational branch of Automotive Trades.
3. Manufacturers and/or suppliers of all member countries of IBRD, and of Switzerland, are eligible to take part in the bidding and are invited to participate.
4. Tender documents may be obtained from the Directorate of the Project at the above noted address, against a payment by bank order or cheque for the sum of thirty (30) US Dollars, made out to the Ministry of Labour, Israel. Such payment will cover this tender and all future tenders published within the framework of this project.
5. Tender documents will be forwarded by registered air-mail to the applicant complying with paragraph 4 above. The completed proposal, despatched to the Directorate in the special envelope provided, and in strict accordance with the general instructions to bidders (which will be forwarded to the applicant simultaneously with the tender documents) should reach the Directorate not later than 1200 hrs. on 31 March 1978. Proposals arriving later than the time limit fixed will not be considered and will be returned unopened to the bidder.
6. The Directorate reserves the right to accept any proposal for any individual item or items or all the items listed, to increase or decrease the quantities to be purchased and to reject any or all of the bids received.

NISSAN LIMOR
Project Director

YEMEN ARAB REPUBLIC

Yemen General Electricity Corporation HOEIDAH POWER STATION

It is the intention of Yemen General Electricity Corporation to call for tenders for the new Central Steam Power Station for the Yemen Arab Republic to be sited near to Hoeidah.

Tenders will be invited for the complete power station to be constructed on a turnkey supervised contract basis. Firms are invited to register by 15th February, 1978, their intention to apply for the documents which will be available by the end of March, 1978.

Only firms with adequate experience who have registered their interest may obtain the documents which will be obtainable from the Offices of the Consulting Engineers to the Yemen General Electricity Corporation, Messrs. Kennedy & Donkin, Premier House, Woking, Surrey, United Kingdom.

A non-refundable fee of YR 4,100 or £500 will be charged for each set of documents issued.

The Power Station will consist of three 20 MW steam turbine generators and oil-fired boilers together with all associated works including an oil supply terminal, administrative offices and staff housing.

The Project will be financed by loans from the Saudi Fund for Development and The Arab Fund for Economic and Social Development.

Firms wishing to register should apply in writing to the Yemen General Electricity Corporation with a copy of their letter to the Engineer, Messrs. Kennedy & Donkin.

CONTRACTS AND TENDERS ALSO APPEAR TODAY ON PAGE 6

RADIO COMMUNICATION

(UHF SYSTEM)

Tenders closing at 2 pm on Wednesday 19 April, 1978 are invited for the design, manufacture, supply, delivery, installation, testing, commissioning and maintenance of a UHF radio communication system for the Public Transport Commission's Sydney Metropolitan area bus fleet in accordance with specification No. 439.

Further enquiries and copies of the Specification (price Aust. \$9.00) are obtainable from the General Manager, Signals and Communications Branch, Room 804, Transport House, 11-31 York Street, Sydney, New South Wales, Australia (Tel. AA25702).

Tenders are to be lodged in the Tender Box, Room 505, Transport House, 11-31 York Street, Sydney, 2000 New South Wales, Australia or if posted, must bear an Air Mail post mark clearly indicating that they were posted prior to the stipulated time and date of closing.

PUBLIC TRANSPORT COMMISSION
OF NEW SOUTH WALES, AUSTRALIA

HOME NEWS

Prices body 'Star Chamber' says MP

BY ELEANOR GOODMAN

Refurbished
INSTRUMENTS
Detects
dangers

THE Price Commission was today branded as a "Star Chamber" by Mrs. Sally Oppenheim, the Conservative spokesman. In her most detailed attack since the Commission was set up in August, she said that it was "loaded with Left-wing activists" and had established "a reign of terror in industry with all the characteristics of an East European police state".

The Commission's tactics had in "highly questionable" and "first three reports, published last week, represented a further attack on taxpayers' money."

Mrs. Oppenheim, speaking at Gloucester constituency, said the Commission had more "confirmed the worst fears of the Conservative Party when legislation was going through Parliament. It was now widely alleged throughout British industry that these powers posed a serious threat."

The Commission's actions were "distorting the rate price increases. This was not

the same as a genuine reduction in the rate of inflation."

Some companies had been "bulled and coerced" into withdrawing or modifying price increases, while others had been too scared even to notify increases and had been prepared to sustain considerable losses.

At the very least, an investigation and a price freeze could cause a great deal of trouble and cost time and money. At worst, it could bring companies to the verge of bankruptcy.

Companies were being forced to tolerate the disruption of having "inexperienced and meddling investigators ramming through their books and extracting information. Companies should not be asked to give."

In some cases the Commission was asking what could be interpreted as sinister questions on the internal working and relationships within companies. In these circumstances, it was no wonder companies were

terrified to invoke the wrath of the Price Commission. Many with their powers.

No one could fail to welcome lower prices, but given the present levels of profitability, there could only be a short-term distortion of the true level of prices.

Eventually, as the "economic realities" over-rode fears about the Price Commission, price increases would either have to be passed on or investment cut.

In the second half of this year, there would be a burst of delayed price increases, Mrs. Oppenheim predicted.

Britain needed a "more searching and active competition policy"—but not "the kind of meddling and mandatory intervention that has characterised the new Price Commission so far."

There was a real danger that what the Commission was doing in the name of competition might bring the whole concept of tougher competition policy into disrepute.

Scots Liberals plan to boycott assembly

BY RAY PERMAN, SCOTTISH CORRESPONDENT

Finds fault
in cables

SCOTTISH LIBERALS, who gave an overwhelming backing at the weekend to Mr. David Steel's bid to continue the pact with a Government, have decided to attend the Blackpool assembly on Saturday, when the thing could be much closer.

The Liberal leader was on the platform at the Scottish conference in Glasgow to see an impact motion defeated by a majority. A resolution leaving to the parliamentary party to ride when the arrangement could end was passed by an eye-ringer margin.

In a private session at the end of the conference, delegates voted against going to Blackpool. While this reflects their determination to assert their autonomy, it also involves an element of tactics.

Scottish voters would have been swamped anyway by the English party which is ten times larger, whereas the Glasgow vote has given Mr. Steel an advantage. Indeed, there are indications that the decision to hold a separate Scottish conference last week was signed for just that.

If next weekend results in narrow defeat for Mr. Steel,

Plaid plans amendment to Welsh rule Bill

By Robin Reeves

PLAID CYMRU, the Welsh nationalist party, will press for the option of full self-government for Wales to be included in the proposed devolution referendum on a Welsh assembly.

Plaid's national council agreed unanimously at a meeting in Aberystwyth at the weekend that the party's three MPs should table an amendment to the Welsh Devolution Bill, adding a second question to the proposed referendum ballot paper giving voters the option of voting for or against full self-government.

As it stands, the Bill provides for one question only: Do you want the powers of the Wales Act, 1977, to be put into effect? The chances of the Government agreeing to the second question must be considered virtually nil.

Bill would permit strike action by post workers

BY JOHN LLOYD, INDUSTRIAL STAFF

A BILL to permit industrial action by postal workers, previously dropped from the Government's programme because of Liberal opposition, will be introduced in Parliament next month as a Private Member's Bill.

It seems likely to get Government support and may also win the backing of the Liberals.

It is being carefully tailored to allow action to be taken only in the pursuit of strictly industrial claims such as wages and conditions.

The measure was promised in the Queen's Speech last November. But the Liberal Party indicated that they could not support legislation which allowed postal workers to take industrial action in pursuit of broadly political aims.

That would include delaying mail or telephone calls to and from South Africa, and the type of "sympathetic" action during the picketing of the Grunwick film laboratory.

The Post Office Workers (Industrial Action) Bill is being

'Too much optimism' about lager sales

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

BEWERS are too optimistic about the share of the beer market which might be taken by ger, according to Mr. Colin Mitchell, of stockbrokers Buckmaster and Moore.

Ironically, Mr. Mitchell's comment coincides with an announcement from Courage, the Imperial group subsidiary, that its new brand, Hofmeister, has been successfully test-marketed and is to be brewed in Britain-wide distribution.

Mr. Mitchell says that the brewers in general expect lager sales to reach more than 30 per cent of the total beer market by 1980, 35 per cent by 1985 and possibly more than 60 per cent by 1990.

Since 1971, the compound annual rate of growth in lager sales has been about 18 per cent, assuming the total growth in beer consumption is about 21 per cent a year up to 1980. Future growth will have to be about 10 per cent a year for ger to achieve a 30 per cent market share.

"The industry expects some slowing down in growth, but I feel it will be a little more than this," says Mr. Mitchell.

He suggests lager growth will be affected by both a slowing down in the increase in the number of young drinkers who have boosted lager sales and by the "availability factor."

Draught lager dispensers are now in nearly every U.K. public house and future growth will be dependent on raising lager sales per outlet—"a task I feel will not be as easy as increasing the availability of the product itself," says Mr. Mitchell.

An indication of the faith the brewers have in lager is given by Courage. The company already sells six lagers—three draught types from the Harp Lager consortium—Harp, Harp Special and Kronenbourg—and three bottled varieties—Harp's Satzenbrau, Henninger Diet Pils and Henninger Pilsener.

Hofmeister, which in price and strength competes directly with Harp draught lager, will go on sale in more than 2,000 outlets from April 1 and be brewed at John Smith's Tadcaster brewery.

Inadequate

In practical terms, however, the national council's approach makes it even less likely that Plaid Cymru will participate in any pre-devolutionary inter-party umbrella campaign for a Welsh assembly during the approach to the proposed referendum.

By sticking to its "separatist" guns the party has chosen to distance itself from the Government's proposals for Wales, which are felt by many of the party's rank-and-file to be inadequate.

Dr. Emyr ap Gwilym, the party's chairman, said after the meeting that the Government's proposals for an executive assembly simply do not go far enough towards meeting the party's policy for full self-government.

Stockbroking trial starts

The trial of six defendants involved in a City stockbroking case will start before Judge Neil McKinnon at the Old Bailey today.

They have been accused of conspiring to defraud clients of Chapman and Rowe, the stockbroking firm, which was hampered with a substantial deficiency in 1974.

The case is expected to last several weeks.

The defendants are five partners and the managing clerk of the firm. They were sent for trial from Guildhall Court nearly 12 months ago.

Industrial aid for inner cities

BY DAVID CHURCHILL

PRIORITIES for £150m. Government aid to the inner cities over the next three years will be worked out by the summer and will concentrate on new industrial development, Mr. Peter Shore, Environment Secretary, said last night.

The aid is part of the Government's urban renewal programme announced last month, which covers new investment in Liverpool, Manchester, Birmingham and London. The London areas of Lambeth and dockland will receive £20m. a year under

the programme, while the other cities will receive £10m. a year from next year until 1982.

Mr. Shore, speaking on a London Weekend television programme, said that the three-year programme would be worked out over the next few months after discussions between the local authorities concerned and the Government.

"I very much hope that a substantial part of expenditure will be related to industry, in particular the provision of factories and the improvement of services."

He believed it vital for local authorities to play a more prominent role in helping industry, especially in inner cities. "I want local authorities to have more powers so that they can help to solve some of the problems that small businesses have."

These powers included such measures as the speeding up of grant and planning applications. Local authorities should "develop a kind of industrial agency so that they can make the kind of contacts with industry to help deal with their problems."

U.K. accused over Ulster link

BY OUR BELFAST CORRESPONDENT

MR. ENOCH POWELL, Ulster Unionist MP for South Down, accused the Government of secretly trying to break the link between Northern Ireland and Great Britain.

Northern Ireland Office and its political head had an apparent, albeit conviction that Ulster was Britain's last colonial possession to be disposed of, Mr. Powell said at the weekend in County Down.

The Government was deliberately trying to goad the Ulster people into accepting, out of sheer frustration and impatience, a "fancy constitution."

The minority would be in such a contrived position of power, in such a set-up as to loosen and eventually sever the links between Ulster and Britain.

Meanwhile, the Northern Ireland Office denied an allegation that its senior officials have had talks with the Provisional IRA.

The allegation was made by the Ulster Special Constabulary Association, a loyalist body, mainly composed of former members of the disbanded Ulster Special Constabulary.

It said that the Irish Government had helped to arrange talks between the Provos and Government officials, to discuss an ultimatum which demanded, among other things, a British military withdrawal, and absorbing Ulster into a Federal Irish state by 1980.

LABOUR NEWS

Leyland shop stewards to urge rise in output

BY OUR INDUSTRIAL STAFF

SHOP STEWARDS today will urge Mr. Michael Edwards, the British Leyland chairman, to adopt an aggressive policy of expanding car sales as an alternative to the planned 10,000 cut in jobs this year.

Union leaders will argue that the company's output forecast for this year, amounting to only £25,000 vehicles and a U.K. market share averaging 27 per cent, is far too pessimistic.

They believe that instead of trimming production the company should raise it to 1m. units a year. To achieve this they are throwing their weight behind a campaign to reduce strikes and increase productivity.

Mass meetings of stewards will be held throughout the group in the next two years to seek support for this strategy.

This argument is not likely to carry much weight with the Leyland management, which has reported that they might be able to achieve 33

per cent of the U.K. market by the end of the year. But Leyland itself thinks that an average of 27 per cent is a much more realistic target. It believes that even to achieve this it will have to maintain a vigorous marketing campaign.

Several new product launches, such as the range of "O" series engines for the Princess and Marina ranges and a diesel for the Princess as well, are planned this year to help the sales drive. Leyland will make special efforts to raise fleet purchases of the Marina.

Even with these efforts, however, the company believes it will not be able to recover all of its lost ground, and is preparing the ground for reductions. Its predictions for the Cars Group, even on its present manning levels of 130,000, indicate that strikes in the company and among component suppliers will cost about 200,000 vehicles and reduce output to forecast levels.

If productivity is to be raised, therefore, there must be redundancies. This is the point which Mr. Edwards will stress to the union leaders to-day, and to the Prime Minister when he meets him on Wednesday.

Leyland accepts that it needs strong political backing if it is to push through its plans.

The relationship Mr. Edwards is able to establish to-day in his first meeting with shopfloor leaders will be crucial to the co-operation he can expect in implementing long-term plans for restructuring the Cars Group.

Before his discussions with the Cars Council at Leyland's London headquarters, Mr. Edwards will outline his plans to the full-time national officers of all the unions in the Cars Group. He is expected to stress that any redundancies will be sought on a voluntary basis, and through natural wastage.

Normal fire protection unlikely for some time

BY OUR LABOUR EDITOR

FIRE PROTECTION may remain below normal in many parts of the country in spite of the firemen's return to work to-day after a nine-week national strike.

Resentment of fire officers and of ordinary firemen who refused to join the official strike might cause manning problems, Mr. Dick Foggie, assistant general secretary of the Fire Brigades Union, said last night. "The potential for friction is frightening."

The traditional comradeship and morale of the service have been seriously strained by the strike, according to national and local officials of the union.

In some stations firemen have decided to "send to Coventry" their non-striking colleagues, or to refuse to meet them socially again. This is causing local authorities to work out new manning arrangements. In others, the union is asked to expel the "blackleg," but these disciplinary procedures will take weeks to process.

At Bolton, Lancs., firemen are to impose a work-to-rule from to-day, answering emergency calls only, in protest at their officers' refusal to join the strike.

Lincolnshire firemen have agreed with the county council

Shipbuilding managers threaten ban

MANAGERS in the shipbuilding industry, angry that their union has not been recognised by British Shipbuilders, have threatened to start an overtime ban from February 1 which would involve about 1,600 members of the Shipbuilding and Allied Industries Management Association.

The move was announced by their national council in London at the weekend in a statement which added that the ban would be called off if recognition was conceded before then.

The statement said British Shipbuilders had agreed that they intended to recognise SAIMA in July last year, but as yet had not done so.

The national council decision was an expression of the "deep resentment felt by members of the unreasonable delays in acknowledging their right to be represented by a union of their own free choice."

SAIMA, formed in 1975, claims to represent 70 per cent of managers in British Shipbuilders and is already recognised by many companies in the industry. It has recently joined the Engineers' and Managers' Association, a TUC-affiliated union.

Service delays for London AA members likely

By Our Labour Staff

THE Automobile Association has warned its members that delays in services could result from a decision yesterday by 200 London staff belonging to the Association of Scientific and Managerial Staffs to "work to contract" in support of national negotiating rights.

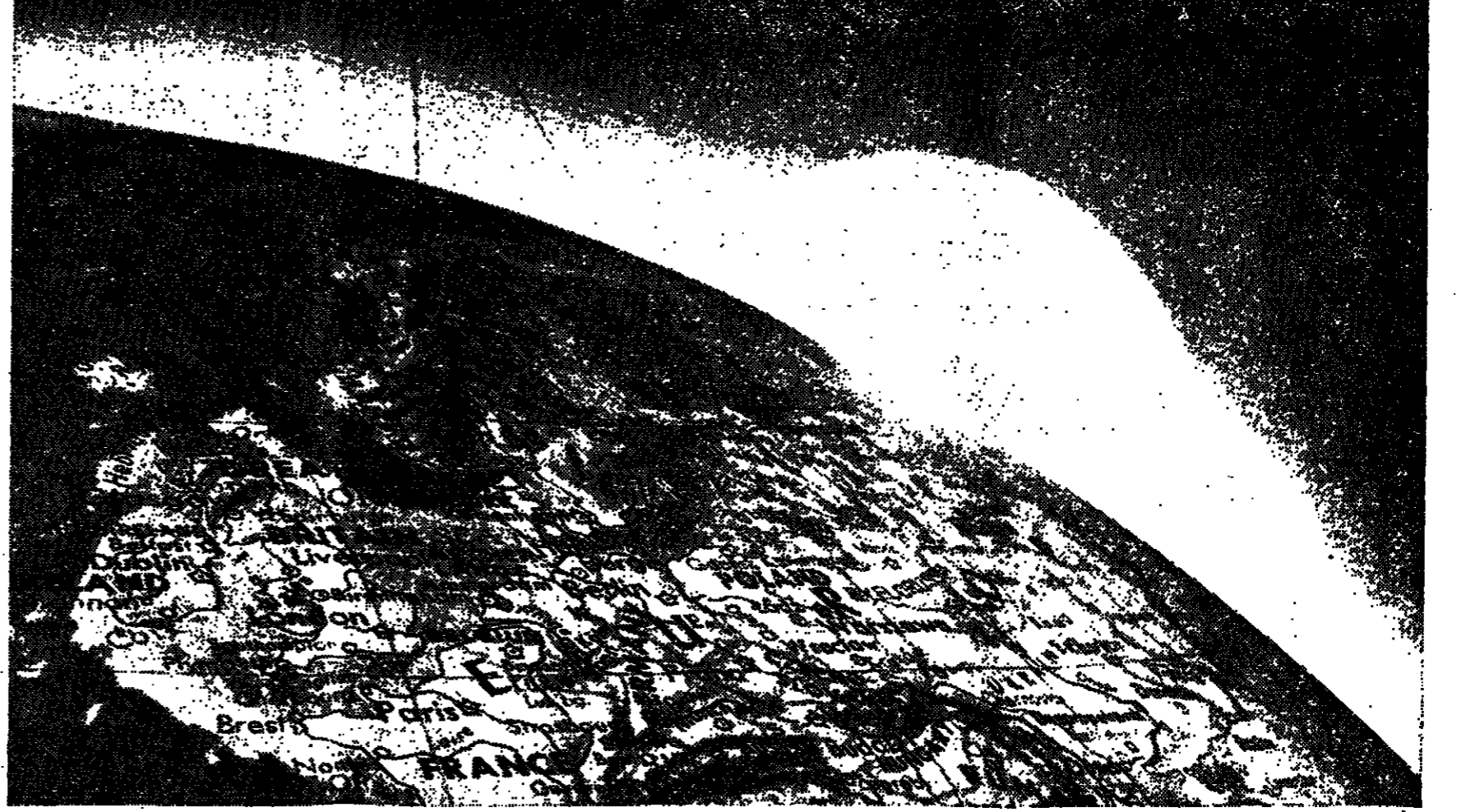
Union leaders said the action, which also represents a protest over a recently negotiated 10 per cent pay settlement, might soon spread to other parts of the country.

Flights resume at Liverpool

British Airways flights in and out of Liverpool—suspended by the firemen's strike since November—will be back to normal from 9 a.m. to-morrow.

Services from Liverpool operate daily to and from London, Belfast, Dublin and the Isle of Man.

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Building and Civil Engineering

£13m. worth for Taylor Woodrow

THE Mechanical, Electrical and Process Division of Taylor Woodrow Construction, and its associated company in Nigeria, Taymech Nigeria, have between them been awarded contracts valued at about £13m.

With design and equipment procurement being carried out by the U.K. company, Taymech Nigeria will install automatic tanker loading facilities on the new oil-loading jetty at Okrika, near Port Harcourt, Nigeria, commissioned by the Nigerian Petroleum Refining Company. Value of this is £2.6m.

Taymech Nigeria, continuing its involvement in the development of cement manufacturing installations in Nigeria, has been

appointed as the mechanical and electrical installation contractor to the Benue Cement Company, for its new cement works at Gboko, Benue State, Nigeria. This is worth £8.5m.

Taylor Woodrow has also been appointed to design, procure and supervise the erection of the mechanical and electrical services for a textile mill, ordered by the Comite Departamental de Obras Publicas in Santa Cruz, Bolivia. Cost of this is £1.5m.

Back in the U.K., the Ford Motor Company has appointed the company under a £120,000 contract to provide consultancy services in connection with the installation of machine tools at its new plant at Bridgend, South Wales.

Jobs worth £2½m. for Henry Boot

CONTRACTS worth more than £2½m. have been awarded to Henry Boot Construction.

Nearly £1m. of the total is for the construction of 79 flats at Whitlington Court, Cemetery Road, Driffield, near Sheffield, for the North Cheshire Housing Association. Work on the 80-week contract has begun.

At Walton Summit, near Preston, Henry Boot has begun work on the construction of 12 nursery factories in three blocks for the Central Lancashire Development Corporation. The £600,000 contract marks a further stage in the development of the Corporation's Walton Summit Industrial Estate.

Also included in the 12-month contract is the construction of office accommodation and car parking facilities.

Henry Boot's civil engineering division has been awarded a £250,000 contract by the National Coal Board for civil engineering works related to the electrification of two winders at Ollerton Colliery.

Included in the two-year contract are major extensions to the winder houses and power house, including foundations and other works.

A further £320,000 is for the construction of a coil winding shop, offices and associated works at the Birmingham factory of Dowling and Mills (Midlands).

Other jobs include a contract for the conversion of banking premises in Saint Vincent Street, Glasgow, for Barclays International, and five two-storey shops for Commercial Union Properties (U.K.) at Pinstone Street, Sheffield.

Good start to year at £16m.

DEREK Crouch Construction expects to start soon on contracts totalling over £16m.

Among the bigger jobs are 170 dwellings at Hamilton Street, Newcastle upon Tyne (£1m.), phase two of Anderson High School at Lerwick in the Shetland Islands (£1m.), a health centre at Greenock (£350,000) and another at Maryhill, Glasgow (£383,000).

However, the biggest project will be a £9.9m. contract for the first phase of a district hospital at Barrow-in-Furness.

The hospital will be built on a sloping site and the main, E-shaped block will be three storeys at the eastern end and five storeys at the western end. Work is due to start in February and the 390-bed hospital is expected to be in use in 1982.

Housing in south-east London

WORK is expected to start towards the end of January on a £1.5m. housing project for the London Borough of Lewisham.

It is understood that 163 dwellings and nine shops are planned and all are to be built in Kirtley Road, SE26. The work is expected to take 90 weeks.

Motorway services area

COSTAIN Construction has been awarded a £300,000 contract by Granada Motorway Services for a motorway services area at Exeter, Devon.

Houses and flats

QUINROY has won a £796,000 contract to erect 63 houses at Daulston, near Bournemouth, for the City of Bournemouth Corporation. The company is also to modernise 21 flats at Sheffield for the City Council for £300,000 and construct 12 flats at

Hawes for Richmond District Council as part of a £122,000 contract.

Quinroy Midlands is to build 25 houses for the South Bedfordshire District Council for £205,500, modernise 39 houses at Ibbstock for the North-West Leicestershire District Council at a cost of £184,000, carry out 100 per cent ground work for Leicester City Council and improve 21 houses at Dacorum on behalf of the local council for £134,500.

Roofing jobs for Laing

JOHN LAING Construction has been awarded roofing contracts worth £375,000 in the London Borough of Southwark. The contracts call for the design and construction of tiled pitched roofs with improved drainage and investigation of existing roof structures in 27 one and two storey buildings in three blocks on the Manor Estate, Camilla Road.

Work is to start soon and the contracts are due for completion by October and July respectively.

Aids the buyer

CHEMICAL BUILDING Products has set up a factory service for building materials of all categories. It offers major international contractors operating overseas an economical and efficient method of buying goods and materials to British Standard Specifications.

The service enables buyers, particularly those who are not familiar with BSS norms (for a instance German or Korean contractors working on Middle East contracts under British conditions) to avoid having to spend a lot of time looking for possible suppliers. It also reduces the number of suppliers they have to deal with.

Chemical Building Products, Cleveland Road, Hemel Hempstead, Herts HP2 7DL 0442 2101.

At home and abroad

HOWFIELD Engineering is undertaking the installation of the mechanical engineering services associated with the refurbishing of a sports stadium in Isa Town, Bahrain.

The work valued at £210,000, involves the design, installation and commissioning of air-conditioning, heating and domestic water services within the stadium, and is being carried out in conjunction with Chisley Electrical Contractors for completion early this year.

Among other contracts awarded for work in the U.K. is one involving the installation of mechanical and electrical services, together valued at £180,000 at the Black Lion Sports Centre, Gillingham, designed by the Architects Department of Gillingham Borough Council. G. H. Buckle & Partners are the consulting engineers and the main contractor is R. Corben & Son (Maidstone).

Jewellery store for Liverpool

DEMOLITION HAS commenced of the Samuel Jewellery retail store at the junction of Church Street and Tarncliffe Street, Liverpool. It is to be replaced with a three-storey building with a total floor area of 947 square metres.

Described as an example of a new concept of jewellery store being developed by H. Samuel, the work is being undertaken by Lesser Construction under a £1m. contract. Shopfitting is by Pyramid Design, of Brentford, and the work is to be completed by November.

£2m. to John Laing

A NEW department store in Stockport is to be fitted out by John Laing under a £1.9m. contract.

The Debenhams Group, has acquired a recently completed 90,000 square feet development in the town of Stockport, at the Corner and Laing's contract involves the complete fitting out of the existing shell.

Architects for the project are Ketley Gould and Clark.

Laing has also won a £370,000 contract to build a second phase of 18 advance factory units in two blocks at Stacey Bushes, north Milton Keynes.

The units (for the Development Corporation) will be single storey and have a total area of about 31,100 square feet, with a clear span. Outside there will be an access road, car parking, landscaping and drainage. Work has started and completion is due by next July.

Faculty of Medicine in Benghazi

THE TURKISH Cypriot company Mudurgulu of Nicosia, Cyprus, in joint venture with The General Building Company of Benghazi, Libya, is to build a Faculty of Medicine in Benghazi for the University of Garinuis.

The contract is valued at over 23m. Libyan dinars (about \$1580m.) and in an area of about 80,000 square metres calls for a complex designed in eight clusters of buildings. The latter will include a central administration block, lecture theatres, cafeteria and restaurant, library, squash court and an animal house.

The Faculty has been designed to cater for about 1,000 students and is expected to be completed in just over 24 years. Consultant for this project is OTH International of Paris.

Road award in Kent

CONSTRUCTION of the northern link of the Dartford town centre distributor road is to be undertaken by Scott Hale (Contractors) under a £1m. award from Kent County Council.

About 1 km. of single carriage-way, including a service road and bus lanes is required. Also included is a river bridge, high

level footbridge, and a pedestrian subway. The River Darent will be diverted for about 150 metres in concrete lined channels.

Advance works for an extension to the Dartford telephone exchange and the installation of street lighting and road signs are included in the contract. Work is to start on January 23.

Ferry terminal extension

WEYMOUTH and Portland Borough Council has awarded John Mowlem a £708,000 contract for an extension to the Weymouth ferry terminal. The work is scheduled for completion in July.

The contract calls for the construction of sheet steel pile retaining wall out into the sea using Larssen 3/20 piles. A re-

inforced concrete capping beam will retain the sill and the wall will be anchored using tie rods and walling.

The reclaimed land behind the pile wall will be filled in and surfaced. This will provide additional parking space and improved access to the existing ferry terminal which was constructed by Mowlem in 1973.

Office and factory work

FARGREAVES Construction and Plant (Northern) has gained three contracts worth £1m. for work in the North-East.

Largest is for the construction of a two-storey office block with a floor area of 1,100 square metres, as well as alterations to an existing factory and external works, for Tallent Engineering Company of Aycliffe Industrial Estate.

For Alnwick District Council a 2,400 square metres car park and access road to the back of commercial premises in the High Street is being constructed. At Team Valley Trading Estate, Gateshead, a 138 square metres factory extension is being constructed to provide a paper reel unloading bay for the Stationery Office.

Road tender accepted

THE Department of Transport has accepted the £158,430 tender of Lehane Mackenzie and Shand for reconstruction works on the southbound carriageway of the A1 trunk road between Catterick south roundabout and Low Street junction, North Yorkshire. Work

is expected to start soon and will take about six months to complete. While work is in progress traffic will be diverted from the southbound to the northbound carriageway where two-way traffic working will be in operation.

IN BRIEF

● Youngman System Building has received four orders totalling over £165,000. Three of them, placed by Amey Roadstone Construction, Gullick Dobson, and Sea Land Pipe Lines Fabrication Engineers, are for offices at Abingdon, Wigan and Lowestoft respectively. The other, from Grampian Regional Council, is for a school at Aberdeen.

● Charcon Tunnels has received a £160,000 order to supply tunnel linings for the Hong Kong Mass Transit Railway. The order was placed by Keir International, a member of the French Kier Group, on behalf of the Gammouh Kier Lilley Joint venture in Hong Kong.

● The Queen and the Duke of Edinburgh, will visit The Institution of Civil Engineers at Westminster, London, on June 1 as part of the 150th anniversary celebrations of the granting of the Royal Charter to the Institution.

● During 1977, Sambron of High Wycombe, Bucks, broke all previous sales and profit records. Sales of the company's specialist handling equipment for builders and farmers reached £5m., an increase of over 41 per cent.

● Under a £191,000 contract PPA Finnegans is to repair fire damage at the Gravesend Singing School (Junior and Infant) School at Gravesend, Kent for Kent County Council.

EGYPTIAN GENERAL PETROLEUM CORPORATION (EGPC)

AND
SS(M) LIMITED

have Pleasure in Announcing

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A. 32° 24' N 32° 18' E B. 32° 24' N 32° 34' E C. 31° 36' N 32° 54' E D. 31° 36' N 32° 18' E

Programme: 3000 kilometres. To be acquired Summer, 1978. (Regional interpretation will be available).

Terms: Initial Group Member: 3000 kilometres at U.S.\$66 per kilometre (Closing date 28th February, 1978)

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Keston,
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P.O. Box 47,
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Cairo,
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Nasr City,
Cairo,
Arab Republic of Egypt.

GOVERNMENT OF MAURITIUS

Ministry of Agriculture and Natural Resources
and the Environment

Bulk Sugar Terminal —Port Louis ROAD WEIGHBRIDGES

CONTRACT NO. 11

Tenders closing at 1.30 p.m. on Wednesday, 15th March, 1978, are invited for the following works for the Bulk Sugar Terminal at Port Louis, Mauritius, in accordance with the Specification and General Conditions of Contract for Contract No. 11.

The Contract is for the supply, manufacture, installation, testing and commissioning of four (4) road weighbridges complete with restud and printing facilities.

The Tender Board does not bind itself to accept the lowest or any tender and will not assign any reason for the rejection of a tender.

Drawings, Specification and General Conditions of Contract may be examined at the offices of the Consulting Engineers, Macdonald Wagner & Priddey Pty. Ltd., at Port Louis, Mauritius, and at North Sydney, N.S.W., Australia, and also at the Mauritius High Commission, 32/33, Grosvenor Place, London, S.W.7, England, and the Mauritius Embassy, 48 Boulevard de Courcelles, 75017, Paris, France.

Sets of Drawings, Specification and General Conditions of Contract for companies registered in Mauritius may be obtained from Macdonald Wagner & Priddey Pty. Ltd., Rogers Automotive Building, Cor. Edith Cavell and Mere Bathurst Streets, Port Louis, Mauritius, or companies registered in all other countries, they may be obtained only from Macdonald Wagner & Priddey Pty. Ltd., 100 Miller Street, North Sydney, N.S.W. 2060, Australia. Telex No. 20014. The non-refundable charge for sets of documents obtained in Mauritius is 360 Mauritius Rupees and 50 Australian Dollars in Australia.

Envelopes endorsed "Tender for Contract No. 11, Road Weighbridges, Bulk Sugar Terminal—Port Louis" and containing a Tender accompanied by a Tender deposit are to be addressed to the Chairman, Tender Board, Ministry of Finance, Port Louis, Mauritius, on or before the closing time and date.

Ministry of Agriculture and Natural Resources and the Environment.

SONATRACH

MARKETING DIVISION

DOMESTIC MARKET DEPARTMENT

International Invitation to Tender No. 4/77

SONATRACH is launching an invitation to tender for the Engineering study, supply of equipment, construction and starting into operation of the following:

A barrelling unit for ammonia with a capacity of 4,000 tons/year in Arzew

• 2,000 tons/year in bottles

• 2,000 tons/year in tank-wagons

Interested companies should apply to: SONATRACH, Division Commercialisation, Direction du Marché Interieur, D.R.I. (Base Algiers), Route des Dunes, CHERAGA (Algiers) Algeria

Telex: 52.908 DZ — 52.992 DZ — 52.983 DZ

To obtain the tender documents, against a payment of Dinars 200, as from the publication of the present announcement.

Tenders, together with the relevant usual references, should be sent in double sealed envelopes by registered mail to SONATRACH, address above, the inside envelope clearly addressed as follows:

"A ne pas ouvrir - soumission A.O.I. 4/77" by March 1, 1978 at the latest.

Tenders remain bound by their quotations for a period of one hundred and twenty days. Tenders which do not follow the above-mentioned indications will not be taken into consideration.

SUDAN RAILWAYS — STORES DEPARTMENT

Contract No. 5076: Supply of 400,000 (Four Hundred Eighty Thousand) Hardwood Sleepers, Contract No. 5077: Supply of 50,000 (Fifty Thousand) Eight Hundred Twenty Five (m) of Creosote, Contract No. 5078: Supply of (a) 100,000 (One Hundred Thousand) Base Plates 75 lbs. (b) 1,900,000 (One Million Nine Hundred Thousand) Screw Spikes

NOTICE

1. Controller of Stores, Sudan Railways, Aders invites tenders for supply of 400,000 (Four Hundred Eighty Thousand) Hardwood Sleepers, 50,000 (Fifty Thousand) Eight Hundred Twenty Five (m) of Creosote and 100,000 (One Hundred Thousand) base plates 75 lbs. (b) 1,900,000 (One Million Nine Hundred Thousand) screw spikes.

2. Tenderers should quote for each tender separately and each offer should be put in a separate envelope.

3. Details, specifications and drawing can be obtained from the Office of Controller of Stores P.O. Box 85 Aders or from the Office of Stores Representative at Khartoum Tel. 74793 on submitting a written application bearing 50m/m, stating day and payment of L.S. 1,000/m/m, for each copy of details and specification for Contract No. 5076, L.S. 1,000/m/m, for each copy of details and specification for Contract No. 5077 and L.S. 500/m/m, for each set of details, specification and drawings for Contract No. 5078.

4. The closing date fixed for acceptance of tenders in this office are as follows: Contract No. 5076 Monday 27th February 1978 at 12.00 hours noon. Contract No. 5077 Tuesday 28th February 1978 at 12.00 hours noon. Contract No. 5078 Monday 27th February 1978 at 12.00 hours noon.

Documents and Specifications are also sold at S.G.P.A. 3-5 Cleveland Row, St. James's, London W.1A 1DD. Rate: L.S. 100/m/m = £1.60.

ANNOUNCEMENT OF THE EXPANSION OF THE INTEGRATED STEEL PLANT AT EREGLI, TURKEY

Announcement is hereby made of the expansion project of the integrated steel plant of Ereğli Demir ve Çelik Fabrikası T.A.Ş. at Ereğli, Turkey, aimed at increasing its liquid steel capacity to approximately 2 million metric tons by 1980.

The expansion project to be bought upon international competitive bidding procedures. An application has been submitted to the World Bank for a major portion of the foreign exchange requirements of the project. Discussions with the Bank are in advanced stage.

The principal facilities to be so purchased and installed are the following:

1. Raw Material iron and coal handling improvement
2. B.O.F. Scrap Preparation
3. One 900,000 m.t. per year continuous slab casting machine with all auxiliary facilities
4. Computerized water cooling of Hot Strip
5. Third Downcooler for Hot Strip
6. One Hot rolled shearing line
7. No. 2 Tension Mill modifications
8. Electric power distribution facilities
9. Maintenance shop facilities
10. One turbo blower for blast furnace
11. One hot blast stove for the existing No. 2 blast furnace
12. ETO cranes up to 75 m.t. capacity
13. Pollution control facilities (Treatment of Coke Plant effluent and a bag house filter for sintering plant).

Invitations to bid on the facilities listed above will be furnished only to those firms who have been previously qualified for the specific items to be purchased. Therefore, firms wishing to be so qualified should communicate to writing, in the English language, with:

EREGLI DEMIR VE ÇELİK FABRİKASI T.A.Ş. 2 Kademe Tıvral Genel Müdür KÜZ EREGLİ-TURKEY

Such communication must be received at the above address no later than January 19, 1978. Interested firms as to the requirements for prequalification of bidders will be forwarded to those responding to this advertisement.

The date of opening of the tenders may be postponed by the Corporation without any obligation on its part to give any reason for such postponement. The tenders must be submitted in accordance with the requirements of the A.S. Development Bank.

Tenders for this contract which must cover the complete work described in the specification are to be submitted to the Corporation in duplicate at the above address by 12 o'clock noon local time on a date to be specified.

The date of opening of the tenders may be postponed by the Corporation without any obligation on its part to give any reason for such postponement. The tenders must be submitted in accordance with the requirements of the A.S. Development Bank.

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The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Paul Sieghart discusses the concept of corporate social responsibility and suggests how companies might tackle the ethical problems which face them

Questions of business morality

Disasters like the one which hit the oil tanker, the Thalidomide and the Sellafield, are mercifully rare, but every so often, something of this kind is bound to happen. In the modern scale and complexity of our manufacturing and trading operations. Suppose, next time, the company concerned is quite innocent of any legal "fault," is fully insured, and has substantial resources. What would happen if it made an immediate announcement on the following lines?

"We are appalled that such a disaster should have happened. We extend our deepest sympathies to the victims and their relatives. We have set up an enquiry to establish exactly how it came about. We feel confident that it will show that we are not in any way to blame. If that proves to be so, then we shall not be under a legal obligation to compensate the victims. But we have made good profits in the last few years, and we recognise our moral obligation to help the others, especially where they would not have suffered this disaster if we had not been conducting our business, however carefully and responsibly. We are therefore taking immediate steps to organise a relief fund for the sufferers from this tragedy. It will be open to public subscription, and we should like to start it off with £2 million of our own. We have power, under company law to contribute to charity, but as this is our shareholders' money they should have the opportunity to take this decision for themselves. We are therefore convening an Extraordinary General Meeting for this purpose, and hope to send our notices next week."

The effect might well be remarkable. Not only could the company avoid protracted and expensive litigation (assuming it was in the clear), but it might find itself with a number of unexpected bonuses. For a start, it would get free and favourable publicity on a scale that no money could buy, cynical though that may sound. It might find future discretionary licences a great deal easier to obtain than if it had stood on its legal rights. The chances are that the next few years would see a sharp increase in the demand for its products. Its employees would feel proud to be working for a company which had done such a charitable and compassionate act. And it would be surprising if at least some of its shareholders did not feel the same pride.

More dramatic

Such situations provide the more dramatic examples of what is nowadays called "the Social Responsibility of the Corporation." No doubt there may still be some businessmen who will say that their job is to run their businesses as efficiently as they can, and that vague concepts like "social responsibility" are for politicians and philosophers, not for people who do a hard day's work creating wealth. They are likely to add that when Parliament makes a law to restrict their activities they will of course obey it, but until then they are entitled to assume that what is good for business is also good for the country.

But there are fewer and fewer businessmen to-day who hold these views. The great majority, and especially those in charge of our largest com-

panies, take the social responsibility of their corporations very seriously indeed.

But just what is "social responsibility?" Is it no more than another fashionable slogan like "management by objectives?" Or is there a body of knowledge about it which can be put to practical use in the corporate context?

Responsibility is a word that comes from the field of morality or "ethics." These are not sciences in the sense that you can get answers to moral problems by running experiments in a laboratory. But that does not mean that there are plenty of people in our universities who spend their lives investigating and writing about ethics. The trouble is that very few businessmen have ever had the time to study abstract subjects while very few academics have any experience of running a business. And yet one can hardly give useful advice about how to decide moral problems in business, without a pretty sound understanding of what moral problems are and how businesses are run.

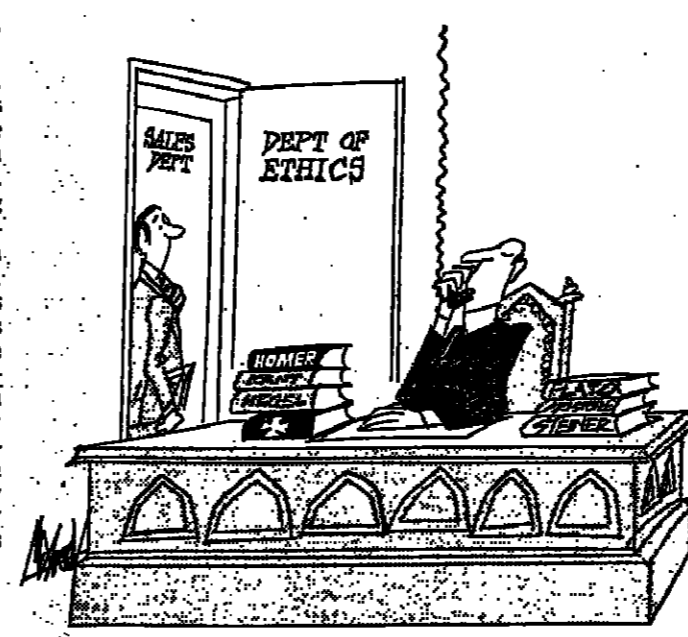
When people first think of moral problems, they tend to think of the "black-and-white" variety, which we can all recognise without knowing much about the higher reaches of ethical theory. If your chief scientist, just before the planned launch of your new product, brightly tells you that he thinks there may be just the tiniest risk that it could produce cancer, you have no choice but to postpone the launch—whatever the cost—until he has finished his laboratory runs, even if the risk is thought to lie below whatever thresholds the law lays down. Whether you regard it as wrong, or simply as unprofitable, you cannot afford

to damage or kill your customers.

Unfortunately, most ethical problems are not as simple as that. Serious ones only arise when there is a conflict between two or more moral principles. Should one go on creating wealth and providing employment for blacks in South Africa, when most of the rest of the world, including one's own Government, condemns the policies of the regime there? Should one help to preserve law and order in foreign streets by developing new "harmless" hardware, and selling it to police forces, in totalitarian states? How should one trade in a country where one's competitors habitually bribe the local officials?

Problems of that kind are often thought to be insoluble. And yet, if they are studied expertly and thoroughly, they can quite frequently be resolved—or perhaps circumnavigated, by changing some factor within one's own control. But that is never simple, and who involves a combination of several professional techniques plus practical experience. Where is that to be found?

The final responsibility for taking ethical decisions must of course always lie with the Board of Directors, at all events when the issue is important enough. But there is a good deal of preparatory work to be done before the Board meets, just as civil servants need to do a lot of homework before their ministers can make up their minds on live political issues. Where, within the corporate structure, should that preparatory work be done, and who will be best qualified to do it? Much will depend on the size of the company and its style of



management. In the multi-national, and especially those operating in particularly sensitive areas, there is already a trend towards developing a staff function whose main concern is the social responsibility of that particular corporation—even though it is more likely to be called something like the "Department of External Affairs," and even though both the operating divisions and the public relations consultants tend to view it with some suspicion.

In smaller companies, the chief executive may be fortunate in having a colleague, a personal assistant, or a wife with whom he can talk through the moral problems which crop up on his desk. That can sometimes be a good informal way of taking soundings and advice. But in larger companies, where the chairman will seldom have time to do all this on his own, there will have to be something more formally structured: someone to whom the task of preparing the Board for important moral decisions can be delegated with clear terms of reference and whose position within the management echelon is secure enough to enable him to obtain all the relevant information, to form his own view, and to advocate it without fear of personal consequences.

Nor is his task a purely defensive one, to be switched on only when the company comes under attack: there are many positive and creative things which a company can contribute to the community to which it belongs—provided someone initiates them, and works them up properly before they are put into effect.

What then are the necessary qualifications of such a person? Clearly, he must know about the company, its processes and products, and its commercial policies. He must have a good deal of practical experience of how businesses are run, and what are the commercial constraints on those who run them. He will need a general working knowledge of the law, though not in the same detail as the company's own lawyers. Expertise in his company's technology can help, but if it is too detailed it may produce too great a concentration on the trees, and so obscure the wood. He must know the "moral environment" in which the company functions, that is to say by what standards the rest of the community judges the products or services which it supplies. He must have strong links with that community so that he knows what of a feel for what the outside world needs his company can fill. And world thinks. And, if he is paper on Computers and Pri-

a passing acquaintance with that he gets access to all the ethical theory, so that he can use the techniques needed to analyse the complex scale and structure of a moral problem, to ask the right questions, and to find a creative and practical solution. On top of that he must have experience in making practical judgments so that he will keep his feet on the ground.

People like that are hard to find—and harder still to fit in to a decision-making structure. And that is the factor which is probably the most critical of all. To be of any real use to his company, the individual to whom this function is assigned needs to be able to "distance" himself from the corporation to an extent which very few consultants can afford to do. Much of the most useful advice he can give may well be uncomfortable and disturbing to others. Sometimes it will create acute personal tensions within the company.

It is perhaps a pointer to the future, therefore, that in the U.S. a separate profession of "social responsibility consultants" is beginning to develop. Such firms are still rare in this country, but as they develop, they are beginning to build up a respectable body of professional skill, experience and expertise. With the increasing and responsible interest shown by more and more companies in social affairs it is quite on the cards that their use will eventually become almost as much of a commonplace as the employment of lawyers and auditors.

Different solutions are therefore available for different managements. But whatever solutions are adopted, a wider and more professional involvement in social responsibility must be to the ultimate advantage of the business community in general. Such a trend can only help it to conduct its affairs in a fashion more acceptable to the rest of society, and to resist the increasing spate of attacks made upon it by those whose real concern is to destroy the system of freedom and competition upon which it rests.

And—though perhaps one should only mention it in a whisper—it might even increase the amount of good that is done in the business world. Paul Sieghart, senior partner of the Sieghart, Foster and Harcourt consultancy, is a leading human rights lawyer and international consultant. He helped draft the 1975 White Paper on Computers and Privacy.

That is a very tall order. Perhaps it explains why the non-executive director coming back into fashion. He provides another solution to the problem, for he can often help the working directors to whisper—it might even increase the amount of good that is done in the business world.

Paul Sieghart, senior partner of the Sieghart, Foster and Harcourt consultancy, is a leading human rights lawyer and international consultant. He helped draft the 1975 White Paper on Computers and Privacy. And, if he is paper on Computers and Pri-

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Business Books

Dictionary of Business and Economics, by Christine Ammer and Dean S. Ammer. Collier Macmillan. Price: £19.95. An easy-to-use volume of definitions, examples, and background material for all the terms needed in business and economics.

Cutting Energy Costs, by Richard Dick-Larkham. Gower Press, Westmead, Farnborough, Hampshire. Price: £10. A practical guide to energy saving in industry.

Common Sense Industrial Relations, by Dennis D. Hunt, David and Charles, Brunel House, Newton Abbot, Devon. Price: £4.95. Down-to-earth help and guidance on how to overcome difficult and apparently insoluble problems in industrial relations is the aim of this book.

The Businessman's Guide to Speech-making and to the Laws and Conduct of Meetings, by Ewan Mitchell. Business Books. Price: £8.50. In this second edition the first half of the book details the basic principles that go towards making a speech a success and the second half deals with the laws and conduct of meetings.

Management for Growth, by Richard Normann. John Wiley and Sons. Price: £9.50. An examination of the nature of effectiveness both in the exchange process and the growth process of business organisations.

This advertisement appears as a matter of record only

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New Issue
January 15, 1978

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Lombard

A letter to an oil sheikh

BY SAMUEL BRITTAN

DEAR SHEIKH YAMANI, It is not often that I write to a sheikh, still less to a sheikh who is also the Oil Minister of the country which effectively controls the international oil price. So I ought to make the most of the opportunity. My message to you is, however, simple. Do not try to switch the oil price from a dollar basis to a fixed basket of currencies. But please go ahead and do so as soon as possible. It will be better for the world economy, the oil producers, and even eventually the U.S. itself.

Your original intention of freezing the oil price in 1973 did not take into account currency fluctuations, but implicitly assumed that the dollar would remain stable against other currencies. If the dollar depreciates, the Americans can hardly expect the dollar price of oil to remain the same. The principle can be illustrated by looking at the sterling price. Let us assume that sterling remains unchanged against a weighted average of currencies but rises by 5 per cent against the dollar. Then the dollar on the same set of weights has fallen by approximately 5 per cent against the average of other currencies. If the dollar price of oil is increased by 5 per cent, then there is no increase in the sterling price of oil, which is consistent with overall stability. The Americans pay more, but that is because the dollar has been devalued.

To price in terms of a basket of currencies is much less precise than a dollar price. It is an insistence on the Americans defending the dollar. The swap agreements, which your country is said to have encouraged, cannot permanently safeguard a currency against market forces. But the effort to maintain artificial parties generates, while it lasts, friction, crises and endless emergency meetings—as anyone who had to write on money matters in the late 1960s and early 1970s will remember so well.

Restrictions

Worst of all, it encourages countries to impose trade and payments restrictions in an effort to preserve the exchange rate structure. This means that exchange rate stability, instead of being a means to aid the free flow of goods and capital, becomes an obstacle to it. This is one reason why, whatever the arguments for Europe or gold standard type arrangements, "fixed exchange rates" between separate national currencies are such a bad idea.

From the point of view of both oil producers and importers, the

price of oil would move far less jerkily if it were fixed in terms of a basket of currencies, as was OPEC practice earlier in the 1970s. If the intention is to keep the price of oil stable in terms of currencies in general, but the fixing is made periodically in terms of the dollar, then non-dollar importers will face a sagging price of oil followed by sudden upward jerks. If it is fixed in terms of a currency basket, then there will be no change at all for importers whose currencies remain stable. U.S. importers, if the dollar depreciates, would face a gradual dollar rise instead of a series of steps. If, for instance, the oil price had been fixed in Special Drawing Rights, the dollar price would have risen by 5 per cent over the past year, with much less need for an agonising reappraisal.

Pressures

It is normal for a devaluing country to have to pay more for its imports by almost the full extent of the devaluation. This is one of the considerations for a country to weigh up in its monetary policy. The Americans, whose currencies remain stable, argue that their present policy is justified in terms of output and employment, even at the cost of some depreciation and inflation. But they cannot expect—because they no longer have the power to set a devaluing cut rate terms. Pricing in dollars merely disguises this fact of life.

So far I have refrained from reminding you how much the oil cartel (of which you are the effective manager although you disclaim the honour) contributed to the present combination of slump and inflation from which the world is suffering. This will still be true even if the U.K. comes in on the act. Political pressures from your neighbours may prevent you from slashing the price of oil in money terms. But you might just be able to get away with allowing world inflation to reduce the real price of oil over a period of years. A 7 per cent inflation rate in the OECD area would halve the real price of oil in less than 10 years. This is a delicate balancing act and if you are expected to bear on top of this further reductions as a by-product of dollar depreciation, the whole operation could collapse. But not even you can prevent the dollar from falling unless you act to take over the Federal Reserve. This might be a good idea, but it won't happen yet.

Yours sincerely,
SAMUEL BRITTAN

THE WEEK IN THE COURTS

Judges live in a world of their own

BY JUSTINIAN

THE LORD CHANCELLOR was acting in accord with the best constitutional tradition in taking no drastic action against Judge McKinnon, QC, for the inept and injudicious handling of the trial of Mr. Kingsley Read on a charge of inciting persons to racial hatred.

But was he right to resist all the blandishments of Labour politicians who protested outrage (perhaps a little more vigorously than was warranted) at the impliedly offensive references to the immigrant population?

The answer is that Lord Elwyn-Jones was right to do nothing more than administer the mildest of rebukes to the judge (the Lord Chancellor's acceptance of Judge McKinnon's expressed wish not to be involved in similar cases in the future can be interpreted as the most that would have happened had the judge not taken the initiative).

Talks too much

Judicial independence and integrity are rightly prized in our society. And public confidence in that independence and integrity must not be shaken by any reaction to a single aberration, however grave. Judge McKinnon's gaffe was not an expression of deep-seated prejudice bubbling over in the instant case. To those who know Judge McKinnon he is a man without any trace of malice towards any group in society. If his politics are in the right of centre, in that respect he marches in step with a large majority of his fellow judges.

It would be a mistake, on the other hand, to conclude that the judge is a passionate upholder of free speech. If he is, he has shown himself to be extraordinarily selective.

Two years ago he sat for 14 days trying the case of 14 pacifists who were charged with attempting to incite British troops to disaffection, by distributing leaflets calling on soldiers not to serve in Northern Ireland. Judge McKinnon displayed no sympathy with their claim that this was a gross invasion upon the citizen's freedom of speech (The jury rejected the judge's overt efforts to produce a conviction).

Judge McKinnon suffers from two, not uncommon, judicial attributes, both of which he manifested in his handling of the

Read trial. He talks too much and without stopping to think what he has to say. (It was Francis Bacon who said that an "over-talkative judge is like an ill-tuned cymbal").

Many a judge might think as Judge McKinnon spoke, but he would have the good sense to refrain from expressing it in the courtroom. The covert nature of that kind of behaviour is to be feared more than the garrulousness of the McKinnons on the Bench.

Judge McKinnon's second fault is a comparison between the can he lay no claim to being a good lawyer. (It was once said of a leading barrister that he was a bad lawyer, to which the riposte of a colleague was that "he was no lawyer at all").

In similar cases in the future can be interpreted as the most that would have happened had the judge not taken the initiative).

But Lord Elwyn-Jones would be hopelessly wrong in adopting the complacent attitude that all is well with our system of appointing judges with no regard to their legitimate complaints about the behaviour of judges are handled in contemporary society.

The selection of judges in England is a process of selection from among the elite of legal practitioners, ensures that the first two attributes are present before appointment. But too often incompetence manifests itself only when the incumbent is securely in office. And incompetence is sometimes compounded by the covert social bias that perhaps infects the legal profession more than any other.

Any system that draws its judges from those who have spent much of the greater portion of their working lives practising the law is bound to produce misfits. The qualities of judgeship are quite different from those of an advocate. Some make the transition with transparent ease; others never cease to be partisan, and, however sound their judgments, conduct their cases as if they were gladiators in the forensic arena. Such displays are not good for the appearance of justice.

Thought should be given in the Lord Chancellor's Office to spotting judicial talent early in the individual lawyer's professional life, subjecting him to training (why have we no training college for judges?) and starting him at the lowest rungs of the judicial ladder. Without

going over to a wholly career judiciary, we could conveniently inject some of the Continental system into our method of appointments.

The most startling characteristics of the English judiciary are the investment of power and residence in judges and their innate conservatism. It is idle for politicians of a radical bent (not by any means restricted to Labour politicians) to wait at the decisions of the courts.

A Labour Lord Chancellor should set about quite deliberately to introduce a strong political element and put on the Bench men who are in touch with modern society and have some perception of what the ordinary citizen demands of the law.

Retirement

In so many respects English law is fustian in expression and socially remote in its precepts and application. Much of that is in the unwillingness of the legal mind to accommodate the advanced thinking of a dynamic society. If there is need for some fresh talent at the top end of the judicial hierarchy to redress the balance of the older judiciary, the driftwood of the middle order of the judiciary desperately needs to be gathered up and pensioned off.

Public criticism of the judges at the Old Bailey (our most important criminal court) is too frequent to be dismissed as the unjustified grievances of disgruntled customers. The Lord Chancellor should not be deterred by the tradition that judges are allowed to stay as long as the outcry is not too virulent so that dismissal is inevitable. Gentle persuasion to retirement is deployed too little.

No group of persons performing a public service possesses more power and immunity from disciplinary action than our judges. There is a need to bring the judges off their public pedestal and subject them to some at least of the realities of modern society.

Is there any reason why the Parliamentary Commissioner for Administration should not receive and investigate the complaints of the public against judges?

McKinnon's remarks about immigrants could have been more satisfactorily reviewed with cool detachment by an Ombudsman rather than under the political heat of the moment. As a start, the Ombudsman's jurisdiction could be limited to judges below the High Court Bench.

Inspired Cardiff arrest Pontypool juggernaut

RUGBY UNION

BY PETER ROBBINS

SOME 15,000 packed into Pontypool's picturesque ground for the Schweppes Welsh K.O. match against Cardiff, all stayed to the end of a fascinating match that Cardiff finally won 16-11. They scored four tries—two by Gerald Davies—to two tries and a penalty.

There was something to please everyone—good forwards, play and exciting back play, but not from the same sides. Cardiff, starved of possession well with Pontypool's juggernaut pack, gave proof of their ingenuity.

First came a fierce opening assault from Pontypool, Cardiff's scrumming with the purple patch midway through the second half, and finally Pontypool's all-out bid for victory which was thwarted by some excellent defence.

In the first phase Pontypool's forwards ran amok, winning back after ruck and the mauls. Technically this was a faultless forward performance, in which Faulkner, Windsor and Price were the strong base.

Gregory the flank provided everyone good forward play, and exciting back play, but not from the same sides. Cardiff, starved of possession well with Pontypool's juggernaut pack, gave proof of their ingenuity.

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right wing to finish off. There is no greater sight in rugby than Gerald Davis in full flight.

With 20 minutes to play and with Gregory and Cobner apparently everywhere Pontypool battered away at Cardiff.

The problem was that as their magnificent forwards won the ball, so their half-backs lost their kicking accuracy. The ball was not moved quickly enough and their speed could not compare with that of Daniels and Murphy.

Watkins on the left, and a golden chance, but was too slow; Cobner, Faulkner, Gregory, and Windsor were all held up close

to the line by some devastating tackling from the Cardiff row of Charles and the brothers. Gareth Edwards brought off one moment, tackle on Lewis and the forward tackle on Wallace, Robinson, a Smith, never shirked that as some task.

Davies scored his fourth in the stroke of full-time for a glorious break by Danie Gregory achieved Pontypool last score but it was in academic.

Ultimately what undid Pontypool was the slowness of the backs and their half-backs' inability to fill the tactical void left in the wake of such superb back. Ray Prosser, a coach, has done a remarkable job to weld together such mighty pack.

Welsh No. 8 Manktelow carried off after being tackled in a crash tackle late in the second half. He was expected by enough to take his place on the reserve bench in Wales final trial next Saturday.

STUART ALEXANDER

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Financial Times Monday January 10 1978

Golden Welsh encore

BY PETER ROBBINS

HAPPY DAYS came back to Old Bath when London Welsh beat Bath in a stunning 46-0 Welsh run in eight tries, four of which were converted by Neil Bennett, who landed two penalties to bring back memories of a golden era of six or seven years ago. Outside him, Neil Bennett was the star of the show.

Poor Bath! Almost every ball they won they managed to fumble and spoil, while, as their heart drained away, Welsh just came running at them and scored.

At scrum-half, Murphy showed what a devastating a direct attacker he can be. But the centres were unimpaired by the ball rarely reaching them. Captain and forward Waterman did not have a good game.

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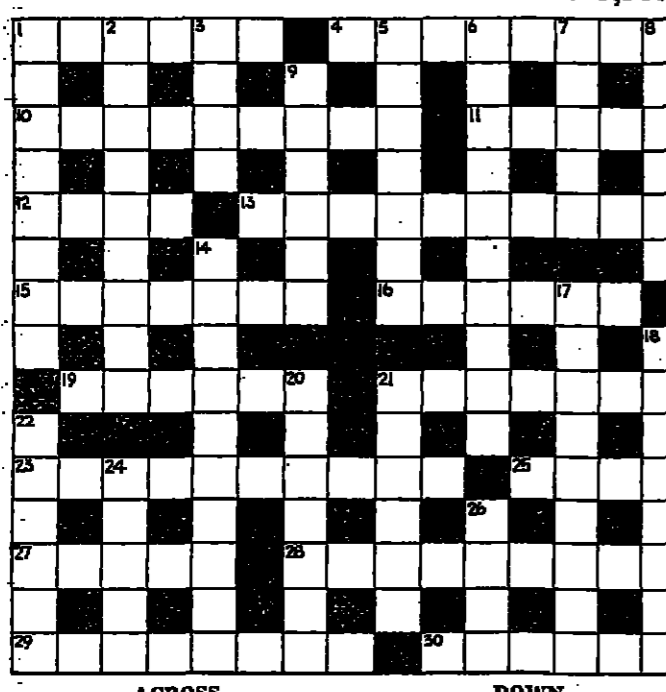
TV/Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges.
10.15 You and Me. 11.25 For Schools, Colleges. 12.45 p.m. News.
1.00 Pebble Mill. 1.45 p.m. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Port Talbot, Glamorgan. 3.35 Regional News for London (except London). 3.55 Play School (as BBC 2 11.00 a.m.).
4.20 Barabara. 4.25 Jackanory. 4.40 Hunter's Gold. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.

F.T. CROSSWORD PUZZLE No. 3,568



- ACROSS
- 1 Sympathetic expression of how costly I am (4, 2)
 - 4 Explain carefully period spent abroad (5, 3)
 - 10 Kind of business run by postmaster (4, 5)
 - 11 Tear-jerker in the kitchen (5)
 - 12 Roundhead will suit me (4)
 - 13 Plane table attendant (3, 7)
 - 15 Don't lose them all while engaging (7)
 - 16 Exquisite metal may be reformed in 24 hours (6)
 - 19 Destroyed right of middleman (8)
 - 21 Salesman (51) takes account-copy (7)
 - 23 China invites sovereign to horse race (5, 5)
 - 25 Scots leader with features 18 that are complacent (4)
 - 27 Scene of action found in 20 square naturally (5)
 - 28 Confess to being both un-21 fashionable and up-to-date (3, 4, 2)
 - 29 Left country with a very noisy cathedral (8)
 - 30 Overture by sensitive person (6)
- DOWN
- 1 Restrain Danish leader a member depressed (4, 4)
 - 2 Part of world appearing like one article by youth (4, 3)
 - 3 Low sound over pole at spaceman's rendezvous (4, 5)
 - 4 Average church newsmen finds dry (7)
 - 6 A greasy pole will hurry (4, 6)
 - 7 Stony-hearted girl (5)
 - 8 Shinto might become fashionable (6)
 - 9 Notice substitute for counsel's opinion (6)
 - 14 Arrears in palmistry (4, 2, 4)
 - 17 Celebrating victory could give Ruth a limp (9)
 - 18 A leg Ruth broke in reaction to comedian (8)
 - 20 Regate quickly when part of film is cancelled (4, 3)
 - 22 Bad writing in beginning of symphony with slow movement (6)
 - 24 Institution beheaded by Georgia is the very end (5)
 - 26 Experience not recorded (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

BBC 2

11.00 a.m. Play School.
1.00 p.m. News.
1.30 Children Growing Up.
2.30 The Object of the Exercise.
4.00 News on 2 Headlines with sub-titles.
7.00 Ancestral Voices.
7.30 Newsday.
8.10 International Cabaret.
9.00 Americans.
9.50 Marie Curie, part 1.
10.45 Just a Minute.
11.15 Late News on 2.
11.25 76½ Journal.
11.50 Closedown: David Markham reads "One Art" by Elizabeth Bishop.

LONDON

9.30 a.m. Schools Programmes.
12.00 Noddy. 12.10 p.m. Stepping Stones. 12.30 Indoor League. 1.00 News plus FT index. 1.20 Help!
1.30 About Britain. 2.00 After Noon.
7.25 Monday Matinee: "The Hour of 13," starring Peter Lawford, Dawn Addams and David Bond. 7.30 News. 7.40 Clapperboard. 4.45 The Flockton Flyer. 5.15 Pauline's People.
5.45 News.
6.00 Thames at 6.
6.40 Help!
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Miss Jones and Son.
8.30 Personal Report.
9.00 Hazell.
10.00 News.
10.30 The Big Film: "An Affair to Remember," starring Cary Grant and Deborah Kerr.
12.35 a.m. Close: Karin Fernald

RADIO 1

6.45 a.m. As Radio 2. 7.02 Noel Edmonds. 7.40 Simon Bates. 11.31 Paul Barnett. 12.10 p.m. News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.45 News. 11.00 News. 11.45 News. 12.00 News. 12.45 News. 1.00 News. 1.45 News. 2.00 News. 2.45 News. 3.00 News. 3.45 News. 4.00 News. 4.45 News. 5.00 News. 5.45 News. 6.00 News. 6.45 News. 7.00 News. 7.45 News. 8.00 News. 8.45 News. 9.00 News. 9.45 News. 10.00 News. 10.4

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Telephone: 01-248 3800

Monday, January 16 1978

A trade war averted

THE DANGER of an outright trade war between Japan and the U.S. appears, for the time being at least, to have been averted. Last week in Tokyo Mr. Robert Strauss, the U.S. special trade representative, reached agreement on a package of measures which mark a significant advance on the Japanese Government's position as presented in Washington by Mr. Strauss's counterpart, Mr. Nobuhiko Ushiba, a month ago.

The earlier package did not go nearly far enough to satisfy American demands, particularly on imports of agricultural products. The modest nature of the concessions came as a considerable disappointment. It had been widely supposed that the drastic Cabinet reshuffle heralded a more determined effort by Mr. Takeo Fukuda, the Prime Minister, to get to grips with the political problems posed by liberalisation. The unfavourable reaction in Washington and elsewhere evidently persuaded Mr. Fukuda to offer more, despite increasingly threatening noises from his own domestic farm lobby.

Import quotas

The most important feature of last week's agreement was the commitment by Japan to increase the import quotas for beef, oranges and citrus fruit juice—not to the full extent requested by the Americans, but far enough to cause some awkward political repercussions inside Japan. These increased quotas will not, in themselves, make any dramatic difference to the U.S.-Japan trade balance, but, taken together with other Japanese moves to encourage imports, they should have a useful psychological impact on public opinion in the U.S.

In the meantime one of the other sources of conflict—steel imports—has been brought under some sort of control. The Carter Administration has published its plans for a system of reference prices to keep out low-priced imports. Although there are a number of details still to be clarified, the initial reaction from the Japanese steelmakers has been one of relief that the measures are not more restrictive.

It is expected that Japanese steelmakers will raise their prices to meet the new levels set by the Administration, which work out at roughly 6 per cent. below the comparable U.S. domestic prices. There is still, of course, a big question mark over the long-term consequences.

Supporting the committee

NO COMPANY chairman likes to give detailed forecasts of prospective profits or losses, especially when only three or four months of the financial year in question have elapsed. Sir Charles Villiers, chairman of the British Steel Corporation, has stated that the projection of a £460m. loss for the year ending March 1978, which was contained in a report to the Board in July 1977, was crude and unreliable. It would have been quite wrong, in his view, to have given this figure to the Select Committee which was then investigating the industry. He says he left the committee in no doubt that the BSC's financial prospects were deteriorating, but it was not until much later in the year, after the world steel recession had worsened unexpectedly, that he became convinced that the loss might be as high as £500m.

More immediate

Yet the £460m. projection was passed on to the Department of Industry in July. Members of the Select Committee argue that they too should have been told of the figure and that, if they had, they would have called for more immediate action to tackle the crisis in British Steel. The committee is urging the House of Commons to order the Government to make available all the papers relating to future prospects submitted by the BSC to the Department of Industry from the beginning of 1976.

It is always a matter of judgement for the chairman of a nationalised industry as to how much information he should provide to the Select Committee, even on a confidential basis. Yet the committee has a record of showing responsibility in these matters; it does not indulge in unnecessary fishing expeditions. Moreover, when a corporation has had such a consistently bad performance as the BSC, and its financial state is so serious, the committee's questions are bound to be more detailed and more embarrassing to the management than they would be in

a normal situation. In these circumstances, the management of the corporation would be well advised to take the committee fully into its confidence.

Over the past decade, successive governments have between them failed to achieve the stated purpose of nationalisation—to modernise the industry. The House of Commons can hardly be expected to wait passively while the management and the Department of Industry decide how to deal with the present crisis, which is far worse than any of the preceding ones. The House, through the Select Committee, has a right to be informed about the options which are being considered and to form its own conclusions about what should be done.

Modernisation

The committee's demands for information might seem at first sight to be inconsistent with the recommendation in its report should cut down on its detailed monitoring of the corporation; the committee's proposal, oversimplified, is that the Government should decide what it wants to do with steel, appoint a management team and let them get on with it. But, as we pointed out last week, the Government has never decided what sort of a steel industry it wants. In theory it is committed to the modernisation strategy contained in the 1972 White Paper, but there has been no consistent attempt to implement it. Moreover, as the committee says in its report, the core of the strategy—the expansion of five main steel-making centres to an internationally competitive scale of production—assumes a level of home and export demand which now looks highly questionable.

In these conditions, the role of the Select Committee on Nationalised Industries as guardian of the public interest acquires a special importance. It deserves the support of the full House of Commons.

Make-or-break time for a new world trade order

BY REGINALD DALE

THE most ambitious round of international trade negotiations since World War II should, with luck, within the next few days reach what one senior EEC official likes to call "the starting gate." That may seem an odd choice of phrase given that the talks were formally opened at a meeting in Japan well over four years ago, in September, 1973, earning the title of the "Tokyo Round."

Trade experts call them the MTN (multilateral trade negotiations). But there still are those who think that an original suggestion to dub them the Long Round, after Mr. Olivier Long, the Director-General of GATT, might have been more appropriate.

The slow pace so far of the negotiations, described as "trench warfare" by GATT officials, has been largely dictated by events in Washington. It took the U.S. until January, 1975, to acquire a negotiating mandate, with the passage of the Trade Act. More time elapsed while the American team was assembled in Geneva, the site of the day-to-day negotiations. Not long after came the start of the Presidential election campaign, the change of Administration, and further delays while President Carter looked for a new Special Trade Representative before picking Mr. Robert Strauss last March.

Mr. Strauss's arrival on the scene was the signal for a new burst of activity. In the first place, the new U.S. Administration sees the Tokyo Round as a key element in the battle against protectionism. In the second, Mr. Strauss feels that he has an obvious personal interest in the talks succeeding. He strongly rejects suggestions that trade liberalisation cannot move ahead while the world economy is beset by inflation and unemployment. The U.S. Congress, he pointed out in a recent speech, accepted President Roosevelt's proposals for the first reciprocal trade agreements at the depth of the great depression of the 1930s, and GATT itself was established, and the first GATT round of trade negotiations held, during the recession that followed World War II.

Not everyone in Geneva is so sanguine. At GATT Headquarters, senior officials are encouraged by the last minute success of efforts to renew arrangements for world textile trade under the multi-fibre agreement at the end of the year, and by Japan's increasing willingness to acknowledge the need for trade concessions. But they still feel that the whole Tokyo Round remains balanced on a knife-edge and could yet fall away in a welter of unilateral protectionist measures.

All are agreed, however, that with the U.S. Trade Act due to expire in the first few days of 1980, the coming year will make or break the talks. A very great deal is at stake. The Tokyo Round is intended to create a new up-to-date framework for world trade that will last through the next decade and into the 1990s. There may never again be such a wide-ranging trade negotiation. It is far broader in scope than its predecessor, the Kennedy Round of the 1960s, which concentrated on tariffs and anti-dumping measures. The current Round is again meant to lead to a major tariff cut, but it also takes in a vast list of non-tariff barriers, down to such items as consular fees in Latin America, which in many cases are far more disruptive than tariffs to international trade.

In addition, it is hoped to reach agreement on a number of new codes of conduct in areas such as Government procurement, technical standards, customs valuation and import licensing procedures. Further major aims are to update international safeguards mechanisms and rules covering subsidies and countervailing duties, and to devise new ways of liberalising trade in agricultural goods.

Inevitably, the 97-nation talks are dominated by the U.S., the EEC and Japan, which together account for 50 per cent. of world trade. But Canada and Australia have major interests at stake as raw materials exporters, and the developing countries are pressing hard to amend the rules of the trading system to ensure that their special needs are taken into account. Among the industrialised countries, it is a fundamental aim to reassure businessmen and planners that they can rely on a further prolonged period of liberal, if not entirely free trade, as a stimulus to investment and economic growth.

EEC missed the deadline

The first sign that new impetus was to be given to the talks came last July, when Mr. Strauss went to Brussels and agreed on a tight new timetable for the concluding phases of the talks with the EEC Commission, which negotiates on behalf of the Nine. Under this schedule, the participants put forward their requests for action on non-tariff and agricultural items by November 1, and the main outlines of the code of conduct negotiations were laid on the table before Christmas. January 15 was the unofficial deadline for the tabling of offers in response to the requests made in November—that deadline has now slipped by a few days. The Community's Foreign Ministers will not be meeting in Brussels until tomorrow to approve the Commission's negotiating mandate. But the hope remains that the decisive stage of the negotiations can be launched at a high-level meeting in Geneva next Monday, at which Mr. Strauss



Mr. Olivier Long, Swiss Director-General of the GATT (left), and Mr. Robert Strauss, President Carter's Special Trade Representative.

will be leading the American team.

One of the trickiest issues on the Nine's agenda to-morrow will be a provisional agreement between Washington and the Commission on an average cut of roughly 40 per cent. in industrial tariffs. Participants in the negotiations are a little worried that progress on tariffs has been allowed to run ahead of most other items on the table. They fear that industry and trade unions may react sharply against what looks like such a major breach in protective walls in the present economic climate. To counter such a reaction, officials are now stressing the many other elements that will be included in the final package, including, of course, the reformed safeguards procedures. It also has to be remembered that tariff cuts are unlikely to start taking effect before 1980 and could be spread over as much as eight or ten years. A tariff reduction from, say 10 to 6 per cent. over the best part of a decade is hardly dramatic.

The French Government, which faces crucial elections in just two months' time, is among those most concerned about the possible political impact if the 40 per cent. figure is trumpeted abroad too loudly. For this reason, GATT officials do not expect much further progress on tariffs until after the French elections—assuming, that is, the present coalition is returned to power. Their real fear is that the poll will lead to a Government under M. Francois Mitterrand, the Socialist leader, who was scathing about the Tokyo Round in his 1974 Presidential election campaign, going so far as to suggest that the whole thing be called off. If he were to maintain such a line in office, it would paralyse the whole position of the EEC.

Britain is hardly more enthusiastic than France about the proposed tariff cuts, and has said it will only consider the 40 per cent. figure on two conditions: that the safeguard issue is satisfactorily resolved; and that there is some provision for putting a brake on the situation going out of control. One way of doing so would be to arrange that a further positive decision would need to be taken to complete the cuts once the first half had been implemented. The U.S., however, has said that while it could accept a schedule allowing some possibilities for delay, it could not agree to one that would never be completed.

Washington would like to leave the schedule for the tariff cuts till later, while more work is done on the other elements of the negotiations—all linked to each other by a complicated chain of differing individual interests. The Europeans, for instance, will not accept new rules to control state subsidies to export industries unless the Americans agree to introduce countervailing duties in future only if it can be proved that U.S. industry is suffering from cheap imports (a provision that already applies to all other

GATT members). The U.S., however, will not agree to this unless the EEC gives it satisfaction on subsidies. The U.S. will not accept the final package unless the Europeans make concessions on agriculture, while the Europeans will not accept it unless the U.S. makes concessions on procedures for customs valuation, to which the EEC attaches the highest importance.

Britain wants it to be possible in future to apply safeguard measures selectively against one or more countries, an idea that is deeply distasteful to free-trading West Germany, which wants a big tariff cut and the dismantling of quantitative restrictions. Bonn has now accepted that selective action may at least be discussed, but maintains that it should only be taken in exceptional circumstances with powerful justification. Japan is in two minds: it has always opposed the idea of selective action for fear that it would usually be at the receiving end; on the other hand, it sees the attraction of being able itself to take selective action against its increasingly dangerous competitors in South Korea, Taiwan, and other low-cost Far East manufacturing countries.

The view of the GATT secretariat is that if Governments are going to take action against other countries' imports, it is better that they should do so within the framework of agreed rules. If selective action is taken, it should only be after consultation, with provisions for supervision and ultimate phas-

ing out. Ideally, action should only be taken with the consent of the country it affects.

If safeguards are one key to the success of talks, agriculture is very definitely another. The U.S. has repeatedly stated that it is not seeking to undermine the foundations of the Community's Common Agricultural Policy in Geneva, but it insists that ways be found of improving its access to both European and third country markets. The EEC has responded with proposals for new international agreements on dairy products (with the backing of New Zealand) and meat (with the backing of Australia). Negotiations for a new wheat agreement have so far largely bypassed Geneva, and it is doubtful how much will emerge on cereals from the Tokyo Round.

The U.S. is showing less hostility than in the past to the concept of international agreements for agricultural products, but it will want more than the Community is offering if it is to satisfy Congress. Influential Congressmen have made it clear that they will only agree to ratify the final package if it provides a substantial boost to U.S. farm exports.

A settling of the differences between the U.S. and the Community is, of course, essential if the talks are to succeed. But the talks could also run into political difficulties if insufficient attention is paid to the demands of the developing countries. The industrialised countries have already made unilateral concessions on tropical products, which many developing countries regard as inadequate, and are unlikely to offer much more in this sector, despite a repetition of their original requests by a number of developing countries.

In addition, however, the developing countries are asking that the principle of "special and differential treatment" for the poorer nations should be written into the GATT rules and applied to a wide range of issues from Government procurement to balance of payments protection. So far the industrialised countries have generally only agreed to accede to such demands "to the extent possible," and the developing countries may well feel that the time has come to adopt a more aggressive public posture in the months ahead.

Washington's original hope that the whole operation could be wound up in the first half of this year is regarded as unrealistic in Geneva. There are even doubts whether the talks can be concluded in the course of 1978. Some GATT officials are worried that almost as soon as the French elections are over, the onset of the mid-term election campaign in the U.S. will cause further delays. If that threat fails to materialise, the hope is that the whole process can be wrapped up in just under 12 months' time in a grand pre-Christmas parcel.

MEN AND MATTERS

Crashing success down-under

John Bruce, a former barrister who left Lancashire for New Zealand three years ago due to high taxes and because Britain was becoming "Euro-communist," arrives back in Britain to-day to promote what looks like the biggest, best-selling thriller yet to come out of the antipodes. The book, called "Airframe," has already made over \$500,000 in advance rights from down-under and America and is about to be launched over here.

Bruce wrote the original 250,000-word version of his novel in six weeks.

He settled down with his family in Wellington but instead of pursuing his bar career he bought six best selling novels, read them through in quick succession and then sat down to write. He later chopped 60,000 words at the request of his publisher, Collins. This took far longer than the actual writing but what is left remains a gripping saga of a mid-air collision between an airliner and a light plane over Wellington harbour, the tangled, emotional lives of the protagonists, political chicanery and the tough legal battle by the widow of the light aircraft pilot to exonerate her husband.

Although Bruce has partially dedicated the book to "Godsome" (God's own country) he is as outspoken about what he sees as the mediocrity of New Zealanders as the decay of Britain.

All is not lost, however. Bruce suggests that New Zealand even on a private, informal and make the country a tax basis, and secondly their success in obtaining the services of three expert advisers compared to the solitary expert budgeted generally hopes to turn New Zealand from a Pacific back-

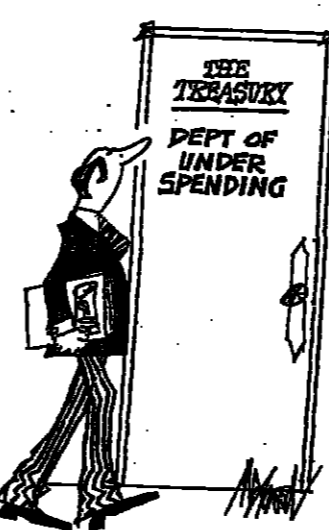
water to an artistic and intellectual paradise.

To judge by some of his New Zealand critics this looks like an uphill task. One of the main characters in the book is the airline pilot who is discovered to be homosexual by his stewardess girlfriend. The Auckland Star critic commented that Bruce's characters were credible "except that we are asked to believe that an airline captain—a member of a group that New Zealanders place just one rung down from doctors—is a homosexual." That's the trouble with these novelist chaps—too much imagination.

Making steel out of fudge

Last week's spectacle of a Parliamentary select committee sinking its teeth into one of Britain's major industrial disaster areas may have proved maddening to Sir Charles Villiers and embarrassing to the Government, but it has given considerable encouragement to those back benchers eager to secure greater effectiveness for the committees on which they serve.

Two factors appear to have welded together the at first sight disparate group of Tory young Turks—like Michael Marshall and Timothy Renton, tribune Neil Kinnock, and the Labour moderate Michael Thomas and the rest of the 15-man committee into such a united band of warriors. The first is their well-publicised anger at being denied the sort of information they demanded, should follow the Irish example and make the country a tax haven for writers and artists, in obtaining the services of three expert advisers compared to the solitary expert budgeted generally hopes to turn New Zealand from a Pacific back-



It was when they asked for a check as to whether the BSC figures were accurate, or had been subsequently updated that the committee felt they were getting "fudged" answers from BSC.

Having proved what a determined and well-briefed select committee can achieve when it sets its mind to it the next step is to try to obtain for committees the same sort of muscle to enforce subpoenas as is enjoyed under certain circumstances by the House of Commons as a whole.

In this the committee members are being opposed most vociferously by Michael Foot who, having made his reputation as the freerhand orator of the Left, has developed over the years into one of the most conservative interpreters of parliamentary rules and procedure.

Fair game

Given the still highly charged atmosphere in the Basque country, where extremist Basque nationalists are continuing their campaign of violence in spite of the new regime's general commitment to greater regional devolution, it is perhaps not surprising that the Government looked askance at the request of a group of Basque hunters. They applied to call their association "The democratic partridge." The Government refused to register them on the grounds that this meant politicising a venerable old pastime.

After thinking about this for a few days they have now come back to the Government for permission to call themselves "the free woodcock." This joke could go on for ever.

Observer

FIGHT BACK AGAINST CANCER

It is good to remember that most people live their lives untouched by any form of cancer.

But as all too many are aware, cancer is something that casts its shadow far beyond those it directly affects. That is why so many people think it right to help the urgent work of the Imperial Cancer Research Fund.



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One of the ways you can help us NOW

I am sending the sum of £..... as a donation to the scientific work of the Imperial Cancer Research Fund. I do not require a receipt (please delete appropriately). *As you are sure to know, a donation made by means of a Covenant allows us to reclaim tax paid, thus increasing our resources at no additional cost to the donor. We have up-to-date details of how to make a Covenant arrangement—if you would like them sent, please put a tick in this box.

Mr/Ms/Miss
Address

The Appeals Secretary, Room 177/12
Imperial Cancer Research Fund, P.O. Box 123,
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FINANCIAL TIMES SURVEY

Monday January 16, 1978

Corporate Finance

Although the company sector moved into surplus in the second half last year, the overall improvement failed to meet many expectations—a trend which may continue this year even if borrowing increases to meet growing demands for new capital investment.

THIS YEAR was one of disappointed hopes for industry. This year looks like being slightly better in spite of expected recovery in domestic demand. The rate of growth of profits—particularly the overseas components—has slowed significantly, and the long-expected movement by the company sector into sustained annual surplus has not occurred.

The check to earlier hopes reflected a combination of slowdown in the growth of the economy generally, the rise in sterling, and the dislocation caused by an excessive level of stocks in the first half of the year.

The contrast can be seen by comparing the forecast from brokers Phillips and Drew in 1977 to nearly £15bn. in their latest estimate of an income for the year of £13.3bn. This excludes estimated contribution from North Sea activities where profits are rising more or less expected, to a probable total of nearly £2bn. in 1977, compared with £400m. in the previous year.

The downgrading of profit expectations reflects a marked slowdown in the rate of growth during the course of last year, has already been shown by results of some major companies. Total trading profits of industrial and commercial companies actually declined on a seasonally adjusted basis after a first quarter of 1977.

World

The main slowdown, or even decline, in published profits has occurred for international companies involved with products or commodities traded through out the world. Examples are GKN and ICI and this group of companies has been affected by the slow rate of growth of world trade, by over-capacity and stock problems in certain markets and by the impact of the rise in sterling both on the translation of overseas profits into sterling and on export profitability.

These problems are likely to have been reflected not only in the published figures for profits but also in underlying

profitability as measured net of that the company sector moved into a surplus of £377m. almost for the first time since 1972-73. The surplus may turn out to be slightly smaller in the fourth quarter.

During the first half of last year, when there was only a quarter, and it looks likely that relatively small rise in profits for 1977 as a whole there will be a deficit of a few hundred million pounds.

The Department of Industry's survey of company liquidity has shown that the liquidity of large companies improved last year. This may partly reflect inflows from abroad, especially from foreign parent companies to their U.K. subsidiaries, as a result of the turnaround in

vestigations. In addition, there is expected to be a further sharp growth in profits from North Sea operations up from £2bn. in 1977 to around £3.5bn. It is much less easy to project the rate of growth of profits from exporting (about 15 per

cent. of the total) or from overseas operations (around a third). This will depend both on the rate of growth of the main industrial economies—probably higher in the first than the second half of the year—and on the performance of sterling.

The main brokers' forecasts do not vary significantly. Wood Mackenzie, for example, has projected a rise in the pre-tax profits of industrial and commercial companies from £17.5bn. last year to £20.5bn. with North Sea oil accounting for more than half the rise. Phillips and Drew has forecast an increase from £18.2bn. to £20.3bn. on the same basis.

Although this implies a halving in the rate of growth

of total profits to roughly 11 per cent. compared with 1977, there should be a further improvement in the quality as a result of the slowdown in the rate of price inflation. Both

brokers estimate a fall in stock appreciation from around £4.5bn. last year to between £3bn. and £3.5bn. in 1978. Nevertheless the rate of growth of total profits net of stock appreciation is, according to Phillips and Drew, likely to slow from over 40 per cent. last year to 25 per cent. in 1978, and very much less if North Sea activities are excluded.

There is still a long way to go to raise the level of profitability to anywhere near the figures of the early 1970s. The share of net profits in net domestic income in the first half of 1977 was little more than half of what it was five or six years ago.

The increase in North Sea production is likely to result in a sharp rise in profits due abroad—from around £1.5bn. to £2.4bn.—while the improvement in profits and lower stock relief will push up tax payments. The possible end of dividend control may also increase dividend payments more rapidly than in the recent past.

But the main drains on cash flow are likely to come from an end to the physical destocking of the second half of 1977 and some stockbuilding—possibly of between £300m. and £1bn.—as the level of economic activity will rise more sharply than in 1977. At the same time the increase in the amount of financing needed for capital investment. Although spending in the few years.

Attitudes

The implications for the total amount of finance required externally depends in part on how companies alter their pattern of payments to reflect changing attitudes towards sterling. Last year, this probably left sterling bank deposits higher and bank borrowing lower than otherwise would have been the case.

The outlook for 1978 is impossible to predict but it looks likely that even if rights issues remain at a fairly high level—of between £500m. and £1bn.—total bank borrowings will rise more sharply than in 1977. At the same time the build-up in cash bank deposits may be smaller than in the past few years.

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CORPORATE FINANCE II

Government is the really big spender when it comes to financial support for industry, with an extremely wide range of grants, concessions and incentives. COLIN JONES here discusses the various kinds of aid available, and the extent to which business has come to rely on it.

Government aid

IT WOULD have been difficult over by the State, come under to credit a few years ago that a different heading. And they the present Government would included the very substantial become the biggest provider of sums which the refinancing of cheap money that industry has fixed rate export credits had probably ever known. It would been costing the Government have been only a little less sur- and which are now being car- prising to have been told that ried more and more by the one of the main vehicles banks.

But, if one makes allowances done would be the Industry Act which the Heath Government passed in 1972. Yet, according to the figures development, employment pre- set out in last week's public servation, and on selective expenditure White Paper the assistance to industry has Government is proposing to increased in real terms by spend rather more than £1bn. between four and five times in the coming financial year in the past five years. A total of the pursuit of its regional deve- more than £1bn. may seem ment industrial strategy and employment creation or preser- relatively small beer when set vation policies. This is on top of capital requirements, especially the further £1bn-plus that it at a time when money can proposes to devote to industrial hardly be said to be difficult to innovation, exporting, the labour get. But it is still a very con- market and various other indus- siderable sum especially when trial support services. These one considers that much of it is figures also exclude the fiscal provided either in the form of cost of the special tax relief Mr. grants or on concessionary Denis Healey decided to pro- vide for stock replacement costs within a year or so of assuming the Chancellorship.

The increase in the total cost of aids to industry which the overall figure of £2.9bn. repre- sents does not fully emerge from the tables set out in last week's White Paper. Indeed, the document indicates that just about the same overall amount in real terms was being spent in 1972-73 on support for trade, industry, and employment.

But the straightforward com- parison is misleading. The earlier figures included the large sums that were still being paid out in investment grants which had been replaced by project in one of the assisted investment tax allowances. They areas—which basically cover included the further substantial the whole of Scotland, Wales, sums which were being paid to Northern Ireland, and those the nationalised industries as parts of England lying north of a compensation for price re- line between the Wash and the strain. They included the cost Mersey or west of Exmoor and of supporting the aerospace and Dartmoor (in other words, shipbuilding industries which, rather more than 40 per cent. now that they have been taken of the U.K. population and 60

per cent. of the land area)— then one can obtain a flat-rate tax-free regional development grant for most kinds of invest- ment in manufacturing projects, plus a range of loans, interest relief grants, office and factory removal grants, key worker re- location assistance, training grants, low-cost factories, and yet further help from the Scot- tish or Welsh Development Agencies.

A business located any- where in the U.K. may be able to obtain financial assistance in the form of loans, grants, or bank guarantees under the various sectorial aid schemes now being operated, the select- ion 8 of the Industry Act 1972 has been put into rescue opera- tions for individual companies. Many of these have failed because of weak management or a lack of adequate financial or marketing appraisals, while others have simply had the effect of postponing the inevi- table rationalisation and so pro- longed the instability of the market.

List

In addition, there are loans or grants available from the institutions of the European Community, grants from the U.K. Government for keeping on workers who might otherwise become redundant, grants for taking teenagers off the unem- ployment register, grants for installing private rail sidings, and so on. Indeed, the list of schemes seems likely to go on increasing for another £24m. is provided in the latest public expenditure White Paper for the coming financial year and £55m. in 1979-80 (both figures are at 1977 survey prices) for ex- penditure on further and as yet unannounced financial support to industry. As the White Paper explains, the "aggregate of firm expenditure commitments in Department of Industry pro- grammes does not reflect the full measure of the Govern- ment's intentions under indus- trial strategy."

All this munificence is no doubt being provided with the best of intentions. But one is bound to ask what precisely it is achieving. As has already been

remarked, it is not as if indus- trial firms generally are hard up for cash. The selective investment scheme is supposed to be limited to projects which by reason of their timing, scale, or nature would not have been undertaken in the absence of government assistance. But it is not very hard for industrialists, if offered the opportunity of cheap money with no strings, to find ways of using it which meet government officials' satis- faction.

A large part of the £800m. or more which has now been committed to selective financial assistance schemes under sec- tion 8 of the Industry Act 1972 has been put into rescue opera- tions for individual companies. Many of these have failed because of weak management or a lack of adequate financial or marketing appraisals, while others have simply had the effect of postponing the inevi- table rationalisation and so pro- longed the instability of the market.

The temporary employment subsidy, upon which well over £200m. has been spent in the current financial year, is said to be a cheap way of preserving jobs if one allows for the offset in reduced unemployment and social security benefits. But there is evidence that jobs have been saved in subsidised con- cerns at the expense of sales by, and - jobs in, non-subsidised concerns.

Regional policy is said to com- mand primacy but the prolifera- tion of generalised aid schemes throughout the country has re- duced the discrimination in favour of the assisted areas and thereby helped to diminish the effectiveness of regional policy. The regional employment premium has been abolished in order to accommodate a shift to- wards more selective forms of assistance. But the biggest current outlay—more than £400m. a year—is on the unselec-

tive regional development grant; and both these grants and the selective regional aids provided under section 7 of the 1972 Act are much more costly—in some cases grotesquely so—in terms of cost per job than the system of industrial development certificates.

It is true that many other governments have also been in- creasing their expenditures on aids to industry in response to the pressures generated by the world trade recession. But Britain has been one of the biggest spenders, and, besides doubting the efficacy of in- dustrial subsidies, one cannot also ignore their impact on in- ternational trade.

For the use of subsidies has been one of the facets of the trend towards protectionism which we have seen creeping in during the last few years. The European Commission in Brussels has been trying, not very successfully, to limit the harm that aids to industry can do to intra-Community trade. But it is particularly concerned about the use of operating sub- sidies, such as the temporary employment subsidy, extrava- gant aid schemes like the re- gional development grant, and those which seem to have little real justification such as some of the sectorial aid schemes.

Pressure could also come from another external source. In a year's time the U.S. Trade Act, 1974, will oblige the U.S. authorities to impose mandatory countervailing duties on all U.S. imports receiving a pro- duction or export subsidy in the country of origin. One should never forget that this country's exporters would have a lot to lose if the present system of trade liberalisation were to be seriously undermined by a lapse into protectionism.

The small business has suddenly been rediscovered as one of the main reservoirs of entrepreneurial skill and initiative. JOHN ELLIOTT, Industrial Editor, looks at what is being done to foster talents in this area.

Small companies

DURING THE past six months the plight of small companies has become one of the main political topics for the Govern- ment, for other political parties, and for the considerable num- ber of organisations and pres- sure groups which speak for the small businessman. The Prime Minister has appointed Mr. Harold Lever, Chancellor of the Duchy of Lancaster, to co- ordinate Government work in this area and the first fruits of his activities emerged in the October economic package.

The Conservative Party has launched its own policy pamphlet on the subject and built up the activities of its Small Business Bureau, while among a plethora of representa- tive organisations the CBI has tried to dilute its "big busi- ness" image by creating a new small companies directorate within its organisation. Finally, the Wilson Committee on finance for industry devoted much of its interim report, in December, to the subject.

There are various reasons for this surge of interest in a sector of the economy that has made little political capital in the past. They include a general swing of public opinion against the inefficiencies of impersonal large corporations, and a feel- ing that it is in small organisa- tions that the entrepreneur and innovator can thrive. At the same time there is a growing fear among Ministers that the public sector and the big private sector corporations will be more concerned in the next few years with shedding labour than with expanding their work forces.

As Mr. Lever has pointed out, this leaves the country's million small businesses, which already employ a quarter of the national workforce, as the main area for creating jobs and so cutting the number of people

unemployed. There is also a growing awareness that the decline of small companies, both in manufacturing and retailing businesses, has accelerated the blight of inner city areas.

On top of these and other practical considerations, there is the political mileage to be made for a Labour Govern- ment in the run-up period to the general election. It can lose little and gain a lot by embarking on innovations which have little to do with trade unions and Socialist theory and a lot to do with easing personal taxation and en- couraging the down-trodden "little man" in a mixed economy.

It is at the same time the Government appears to be re- opening loopholes for tax- dodgers and encouraging em- ployers who have little time for trade unions or for progressive employment policies, then it can easily correct the balance in a year or so if it should win the next election. And in any case, Mr. Lever has foreseen this pitfall by making it clear that he does not want to make small businesses an area of second- class employment by allowing them exemption from employ- ment legislation.

Sceptical

But despite all this political goodwill, most small business- men are fairly sceptical about what is happening and the CBI has repeatedly made the point recently that there may well be little point in any of Mr. Lever's activities if what he gives is to be taken away by some form of wealth tax.

This goes to the heart of the problems of small businesses because it is the tax system which has created most of their

problems by removing the in- centive either to start up new businesses or to expand them, and also by whittling away the personal wealth of families which might be provided to help a business start up. As one activist in this area puts it, "The Aunt Agathas who would help a favourite nephew to start up in business no longer have the cash to do so, and the small business has therefore lost a primary source of venture capital."

This means that the problems of financing small companies can be tackled in one of two primary ways. Either one can adopt a fundamentalist approach and reform the tax system, against the trends of recent years, so that the entrepreneur can flourish and personal wealth be accumulated. Or one can merely tinker with the tax system in special areas such as capital transfer and capital gains tax, while trying at the same time to create alternative sources of primary finance through city institutions and State agencies.

It is at this point that the difference between the main political parties in their approach to the problem be- comes apparent. The Conserva- tives broadly favour a more fundamentalist approach which would also include special regimes being created on employment legislation and such matters, with small com- panies being given a special designation as "proprietary companies" in law. A Labour Government is more likely to take the institutional and state aid approach. So while both political parties may be jumping on the same bandwagon, their favoured solutions are ideolo- gically different.

Equally, however, both

CONTINUED ON PAGE IV

The Wilson Committee enquiry has not come up with any revolutionary ideas about the function and contribution of City institutions to industry's financial needs. But, as NICHOLAS COLCHESTER indicates below, it has provided some stimulus to thinking.

The City's contribution

Only two years ago the relation- ship between the City and British industry was a topic for emotional and often ill-informed discussion. To-day, the fire has gone out of it. Britain has experienced a startling financial recovery. The ruling Labour Party's leadership has grown more "capitalistic" in its think- ing. Any flickers of passion that might have remained have been buried under the mountain of information and opinion assembled by Sir Harold Wilson's "Committee to review the functioning of the financial institutions."

This committee observed in its own summary: "The main themes of the evidence are these. Few in industry or the institutions believe that the way the financial institutions operate has deprived firms of funds they should have had, or has con- strained investment. Low pro- ductivity, low profitability, low demand and problems caused by Government policies are re- garded as far more important factors behind our industrial performance."

The Wilson enquiry grew out of an ideological attack on the City, and the City and industry closed ranks in the face of it. Their evidence was pitched to drive these main themes home. It did not devote much time to discussing the arguments and sources of dissatisfaction that certainly exist within the City—the competition for funds between the banks and building societies for instance. In retro- spect the participants could have been freer in their exchange of views. For there was a singular lack of evidence couched in critical terms. Only the Trades Union Congress and the National Executive Com- mittee of the Labour Party pro- duced substantial attacks on the status quo.

But although the summary of the evidence revealed no fire- works or surprising panaceas for British industry's ills, it was certainly a good deal more than a white-washing job. It drew attention to a problem—the un- inviting atmosphere for the small company in Britain—which is fully dealt with else- where in this survey. It drew attention to a potent force for the future—the rise in institu-

tional control of the deployment of savings. And it contained a great number of suggestions from both industry and the City of small changes and innova- tions that could improve Britain's financial system.

In its broadest terms the pic- ture painted in the Wilson Com- mittee's report is of reticent and risk-averse British industrial borrowers, of a conservative banking system that is, however, changing its ways quite quickly, and of investing institutions whose increasing power is under fire from all sides and which is viewed as a threat to the proper functioning of the stock market.

Stopper

The industrial borrowers are steadily making less profit in terms of return on capital em- ployed, and remain very wary of high gearing ratios. Inflation is shown in the evidence to be an investment stopper. First, it in- creases the cost of holding stocks and thus reduces the cash available to companies for fixed investment. Second, high and fluctuating rates of inflation have increased the uncertainty of business forecasts and have encouraged some com- panies to discard discounted cash flow analysis. Third, man- agements are unwilling to bor- row long when interest rates are high, even if the real in- terest rate is negative.

The committee mentions two possible correctives here. It notes that long-term loan stock issued by companies are at a disadvantage relative to Govern- ment gilt-edged securities because, unlike gilts, their holders are not exempt from capital gains tax. They thus re- quire a higher yield to be attractive. The committee also records that tax rules on franked and unfranked income make it difficult for unit and investment trusts to invest in industry via loan stocks. In other countries corporate bond funds flourish.

Turning to the British banks the evidence notes that they are prepared to lend to industry much more than industry was currently accept, and that since 1971 their readiness to lend medium-term money has in-

creased importantly. One sug- gestion that is aired here—for more active times when loan demand is higher—is a refinanc- ing facility at the Bank of England to help banks square medium-term lending with their aversion to borrowing short and lending long. The London Clearing House suggested such a backstop, but the Government remains wary of it.

The testimony from the American and Japanese banks and points out how a high standard of corporate information can change the basis of bank lend- ing from a "liquidation ap- proach" to a "going concern approach." The U.S. banks ex- plain that the stringent infor- mation requirements of the Secu- rities and Exchange Commission in the U.S. enable the American banks to lend more boldly to industry. They suggest that British industry would be easier to lend to if it revealed more about itself and registered its loan covenants. The Japanese banks concur.

The rise of the investing institutions shows itself most clearly in the growing propor- tion of British industry which the institutions own. Between 1963 and 1975 the proportion of U.K. shares held by them grew from 30 per cent. to 48 per cent. The committee refers to this as a major structural change in the channelling of savings: for an increasing proportion of saving is being managed by given impetus to this Govern- ment's discovery of the small possibility must be to savers rather than to borrowers.

Both the City's brokers and the National Executive Commit- tee of the Labour Party agree that this rise of the contractual savings institutions at the ex- pense of personal savings is having an adverse effect on the stock market. The institutions' final conclusions on the City's display a "herd instinct" and there are fewer and fewer in- dividual investors to "buck the trend," the NEC claims.

At the same time the commit- tee records much discussion of the so-called "proprietary gap"—that is the way in which the proprietary functions that used to be discharged by entre- preneurs and individual share- holders have not been fully taken over by to-day's share- holding institutions.

The institutions carefully ex- plained the difficulties they have in getting involved in manage- ment—their lack of staff, their problems of inside information. But the Treasury suggests that British institutions remain more aloof from industry than their counterparts in other countries. The Bank of England says it is in favour of greater contact. The Confederation of British Industry is currently studying the whole relationship between company and shareholder.

It seems possible that it is this discussion of the power and responsibilities of the pension, insurance and investment funds that the Wilson Committee's inquiry will have its most far- reaching effect when the com- mittee draws its final con- clusions from what it has learnt. Small companies have so far emerged as the business and financial sector most directly affected by the Wilson Com- mittee's activities. This is because, in the words of the report, "if there are problems in the supply of finance to industry, this is where they are likely to be found." The decline in individual wealth which has accompanied the rise in influence of the investing institutions shows itself most clearly in the lack of small business sponsors and entre- preneurs.

The committee's focus on small firms has tied in with, and given impetus to, this Govern- ment's discovery of the small possibility must be to savers rather than to borrowers.

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CORPORATE FINANCE IV

Ever since the war attempts have been made to fill known gaps in sources of industrial finance by the setting up of special institutions with the backing of the Bank of England and other bodies. Here MARGARET REID sums up the present situation.

Special institutions

JUST HOW uncertain, and indeed hazardous, the business of attempting to fill gaps in the supply of funds for industrial investment can be illustrated by the recent experience of Equity Capital for Industry, the City's equity bank, and the bank-backed Finance for Industry.

Equity Capital, which was set up, after much controversy, by a wide group of financial institutions in mid-1976 to supply the supposed shortage in the availability of capital from the market, has, some 18 months later, invested only £5m. of the £40m. with which it was established. This alone is eloquent commentary on the clamour in some quarters two or three years ago that £500m. would be needed to equip it for its proper role.

Moreover, any suggestion that its investments have been held down by an over-cautious approach is effectively knocked on the head by the fact that its very first investment, £11m. in the Bond Worth Holdings carpet group, has already been lost. Five months after the cash was put in, in March last year, along with funds from other institutions and the National Westminster Bank, Bond Worth collapsed with a deficiency of more than £20m.

This experience has underlined the difficulty, pointed to from the outset by opponents of the equity bank concept, of identifying companies which have a real need for new share capital but which, while they cannot raise the cash through normal channels, still offer the prospect of long-term viability and prosperity.

After its traumatic debut with Bond Worth, Equity

Capital, which made two other investments — of £1m. in the motor trading concern Renwick Group and £2.65m. in UBM, the builders' merchants, shortly afterwards — has preserved a low profile and is giving plentiful consideration to its future policies before making any more moves. This is not to say, however, that a useful role for it may not develop as time goes on.

Finance for Industry, which is owned by the Bank of England and the big banks, whose Industrial and Commercial Finance Corporation arm backs smaller companies (and which itself has a stake in Equity Capital) established a £1bn. medium-term lending facility to larger concerns in early 1975 at a time when the cash famine in industry was severe. However, to date, three years later, only some £270m. has been committed for lending under the scheme — although initially Lord Seeborn, FFI's chairman, expected, to nobody's surprise, that the whole £1bn. would be needed within two years.

Reasons for the slow progress of both Equity Capital's activities and FFI's medium-term lending are to be found partly in the sluggish trend of industrial investment — which crept up some 7 per cent. last year after long stagnation — and in the rapid easing of the monetary climate since 1974, when both these projects were conceived to relieve a then exceptionally tight cash position in industry. Moreover, there has also been a proliferation of other institutions seeking to give direct backing to industrial ventures. The State-owned Nat-

ional Enterprise Board has had a prominent role here, while certain pension funds and merchant banks have mobilised resources for the purpose. Moreover, Prudential Assurance, the Midland Bank and the British Gas central pension funds, to back mainly private companies, is just one example of a new private sector investing agency in the field.

Rivals

In short, the supply of investment funds has tended over the past two years to exceed the suitable outlets and there has often been competition in particular cases between the different bodies to make an investment. Equity Capital and the NEB, for example, were rivals to assist the Sheffield steelmaker Dunford and Elliott; neither, in the event, did so, since Dunford was taken over by Lorrho.

For two years or more, in effect, the financial and industrial climate has been such that companies and enterprises have been operating in a buyer's — or borrower's — market, while the suppliers of funds have been vying for business in the atmosphere of a seller's market on their side.

The Wilson Committee, in its progress report in December on the financing of industry and trade, recognised the position. "Few in industry or the institutions believe that the way the financial institutions operate has deprived firms of funds they should have had, or has constrained investment," said Sir Harold and his colleagues. "Low productivity, low profitability, low demand and problems caused by Government policies are regarded as far more important factors behind our poor industrial performance."

The fact that the supply of investment funds is at present particularly strong in relation to demand for them does not mean that the position could not change with the economic revival expected in Britain in 1978 and the years ahead. Such a development could well bring the facilities of both FFI and Equity Capital more fully into play.

FFI, created by a merger in 1973 between ICF and the FCI lending institution — which had both been in operation since just after the war — has now been in operation long enough for its role to have emerged pretty clearly. In essence, the FCI arm of the group specialises in channelling medium-

term loans to borrowers which are viable and creditworthy, but which either cannot or do not wish at the moment to raise it through other routes.

FCI has shown considerable flexibility in adapting to industry's needs. It provides various types of loans, often unsecured, to industry for 10-20 years — a period which was sometimes singled out in the past as one where providers of funds were criticised as reluctant to lend. There are also choices as to the interest rates terms, with an option available between fixed and flexible bases.

Demand has been limited, with many companies having recourse first to their banks — FFI's owners. But in the nine months to December, 1977, £30m. has been committed and £36m. lent by FCI. Recent loans have included £8m. to Acna (U.K.), the British subsidiary of the Italian chemical group Montedison to help finance its part in a joint venture with ICI at Stevenston in Ayrshire, and £2m. to Redfern Glass. Of demand generally, however, the Wilson Committee observed last month: "In current economic conditions large firms are showing little interest in FFI's facilities, and in spite of the recent fall in interest rates FCI do not see a major resurgence of demand for their loans until rates have stabilised at lower levels and private sector investment increases."

But a sign of the revival of activity already noticeable among smaller concerns has been the marked quickening in applications for share and loan capital received by ICF, which specialises in nurturing growing companies, sometimes for ultra-long launch on the stock market.

In the nine months to December, 1977, ICF invested £33m. against £271m. in the whole of the year 1976-77. At March 31, 1977, ICF had a portfolio of £212m. in shares and loans.

The FFI group has also recognised industry's requirements by providing money through equipment leasing arrangements and by supplying venture capital for certain new — and not always ultimately successful — ventures.

Equity Capital, for its part, is a much newer enterprise with a less completely defined role and has had a trouble-ridden start with the Bond Worth affair.

But a great deal of careful exploration into its appropriate role is being conducted by its Board of eminent City men and holding institutions reappraise industrialists under Lord Plowden, the chairman, and by long-term future for their new offspring.

Small companies

CONTINUED FROM PAGE 11

parties will do something for small businesses and one possible direction for action emerged in the interim report from the Wilson Committee. This described small businesses as being important to the economy "as a source of enterprise and innovation; as the seed-bed for the large companies of the future; as providers, often flexibly and efficiently, of a wide range of goods and services; and as extensive employers of labour."

Turning to finance, the report aired disagreements in the evidence it had received about how difficult it is for small companies, which can often appear to be riskier enterprises than larger concerns, to persuade clearing banks to agree overdrafts without adding up

to 3 per cent. to interest rates. There is also a special problem when a new business wants to expand quickly.

Criticism of the banks' unhelpfulness towards such problems among small companies has been growing in recent months, but the Wilson Committee nevertheless concluded: "We must record that the overwhelming impression given by the evidence is that the overdraft is a relatively cheap and convenient form of finance for the small business, and that sound and profitable companies seldom have difficulty in getting the facilities they need."

Small companies often prefer overdrafts to a formal term loan which may be more expensive and contain more onerous repayment conditions. The main source of longer term loans is the Industrial and Commercial Finance Corporation (a subsidiary of Finance for Industry) which loans sums as small as £5,000 with repayments from seven to 20 years.

Loth

The more serious problem is thought to be the "equity gap" which has grown because, devoid of the "Aunt Agatha" source of funds, the small businessman is loth to surrender equity in his enterprise for fear of reducing his personal control and financial rewards. Nevertheless there are a number of private sector institutions which provide such capital for small firms and pension funds are taking an increasing interest in the subject.

But possibly more important than the lack of finance is a serious lack of knowledge and information about where small firms can find money. Organisations such as the National

Enterprise Board, which occasionally invests in small and medium-sized companies, report a flood of queries from small businessmen who have found their local bank managers, less than well informed and who are not aware of alternative sources of finance.

The clearing banks told the Wilson Committee that they were trying to improve their information and the Government and others are also trying to plug the gap. There have also been suggestions that a special organisation should be set up, maybe along the lines of the Small Business Administration in the U.S.

In its conclusions the Wilson Committee recommended four main areas for further study: the availability of venture capital for new projects, of loan finance, of equity finance, and of information about financial facilities. One aspect of the loan finance idea has been under study in the Department of Industry for some time and is being considered by Mr. Lever. This is provision by the Government of a State-backed guarantee scheme which would encourage banks to take a less cautious approach to lending to small businessmen. The Government however is concerned that it might consequently become saddled with the worst non-viable risks.

So there are several ideas being considered to help the small businessman find the cash he wants and there are also to be changes in capital transfer and other taxes proposed by Mr. Lever. The small businessman may therefore find his lot a little easier as a result of the current political activity, even if broader political and social trends mean that the "Aunt Agatha" who funded him in the past are gone for ever.

In a good year for Britain's exports as a whole, corresponding advances have been made in export financing. LORNE BARLING reviews the successful switch into foreign currency and other landmarks of 1977.

Export credit

THE GENERALLY successful transition from sterling to foreign currency financing of an increasing proportion of UK exports has been the most important change in a year which has been outstanding for exports in general, and seen considerable fluctuations in currencies.

Although the foreign currency scheme was introduced by the Export Credits Guarantee Department (ECGD) at a time when the worst downward pressures on sterling were over and drew a fair amount of criticism from both buyers and exporters, it has proved workable and been accepted remarkably quickly.

As ECGD points out, it is of interest to look back at the conditions of November 1976 which gave birth to the scheme and compare them with those of today. At that time there was concern about the Public Sector Borrowing Requirement (PSBR) burden of sterling refinancing, the public expenditure burden of the interest subsidy on fixed rate export credit during a period of high sterling interest rates, and balance of payments outflows linked to a depreciating pound.

The scheme was therefore designed to relieve the pressure on PSBR by not offering a refinancing facility but a contingent take-out to protect the lenders against the risks inherent in going to the inter-bank Eurodollar market for their funds. This removed the interest make-up to the low Eurodollar interest rates then prevailing and brought an early inflow to the capital account of the balance of payments.

More recently and in line with the same Government policy of savings on PSBR, new arrangements have been concluded with the clearing banks on sterling financing, under which they will take a substantially higher proportion of export financing on their own books and at the same time open up the sterling buyer credit business to British registered foreign banks. Sterling interest rates have also dropped, thus reducing public expenditure on the fixed interest rate subsidy.

Narrowing

All in all, it has been a good year for the Government in this respect, but the narrowing of interest rate differentials between sterling and Eurodollars while reducing the public expenditure advantage of foreign currency over sterling must be seen against the background of the very long periods over which ECGD is committed to interest make-up on individual cases and the fact that historically Eurodollar rates have run below sterling rates. However, it is also very relevant that the current increases in the British reserves position are to a considerable extent "hot" money whereas the effect of the currency scheme is to show an early addition to the capital account side.

Since the first foreign currency contract went through in April last year, ECGD has now guaranteed loan agreements bringing the total dollar finance provided by the end of last year to more than \$500m. Further loans approaching \$4bn. and DM109m. are in active negotiation, of which about 10 per cent. are likely to come to fruition.

On the question of fixed rate sterling finance, the previous arrangement whereby finance has been provided by clearing banks and the Government has made up the difference between the fixed rate of interest and the market rate (with further Government financing of net lending in excess of a certain percentage of banks' current account balances) has now been replaced.

Under the new scheme the banks will provide all the necessary financing for export credits up to and including five years. This means that they will be refinanced for amounts due for repayment more than five years after the commencement of the credit.

As a result, virtually all supplier credits, which are only rarely arranged for periods of more than five years, will be financed by the banks. In the case of buyer credits, where the term of the loan usually exceeds five years, the banks will also carry the first five years' financing on their books.

Only that amount which matures after five years will be refinanced and it is estimated that the new arrangements will reduce the burden on public expenditure by some £200m. to £300m. in 1978-79. But the agreement also allows authorised banks in the U.K.

both to provide finance and to lead lending syndicates. Although this appears to be generally agreeable to the clearing banks, the accepting houses have voiced some anxieties on the grounds that the foreign banks, already allowed to participate in foreign currency buyer credit financing, will have the edge over them through their ability to provide finance and lead lending syndicates.

Less success has been achieved with the cost escalation scheme, also introduced in early 1975 at a time of high inflation as a temporary measure to give a limited amount of protection to exporters of capital goods against cost increases above a certain threshold.

Initial response was that the scheme was too complex, and less than 10 policies have so far been issued.

The scheme has had underlying constraints such as the ability to cover only certain costs incurred in the U.K. items such as foreign costs and non-U.K. subcontracts are ineligible, as are profits, fixed elements in overheads and contingencies. It was therefore decided to introduce in appropriate cases a flat rate reduction from the U.K. element of the basic contract price in order to determine the amount upon which cost escalation support is based.

Public expenditure constraints and increasing international criticism and scrutiny of such schemes are strong reasons why it cannot be extended in a number of ways suggested by industry. However, the scheme will be under review in the early part of this year and there is concern in some sectors about its possible withdrawal.

In the field of short-term export business (goods sold on up to six months credit) ECGD is now covering U.K. exports at the rate of £12bn. a year, compared with less than £10bn. in 1976 and is about double the value of short-term business insured by ECGD two years ago.

ECGD said that credit limit applications have been flowing in at the rate of more than 1,000 a day, but expressed some dissatisfaction that many exporters are failing to make use of the discretionary limits they are able to take on new export business, thus unnecessarily increasing the load on ECGD.

These wider discretionary limits were introduced last year for the express purpose of streamlining procedures to help the policyholder to seek, win and conclude export contracts with a minimum amount of fuss from the insurance point of view.

The new limits allow exporters to take on up to \$50,000 worth of new business for each buyer (against £2,500 under the old limit) and give them scope to raise limits well above that figure on the basis of satisfactory trading experience. ECGD finds that a third of all credit limit applications received are within discretionary limits.

Another move by ECGD made last year was the reduction of the minimum limit for export contracts qualifying for bond support scheme from £1m. to £500,000. The lower limit is aimed at enabling ECGD to give help for a wider range of contracts entered into by exporters of capital goods whose overseas buyers insist on the provisions of bonds as a condition of contract.

Since the introduction of the bond scheme in early 1975 (covering performance, tender, advance payment and progress payment bonds) more than 80 guarantees have been issued in the support of overseas contracts worth £12bn. The demand for this form of cover has grown considerably in recent months. Cases under consideration involve U.K. export contracts valued at more than £3bn. Some great benefits.

80 per cent. of contracts are with buyers in the Middle East.

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Scheme

A long-suggested scheme to assist British exporters in bidding for "jumbo" contracts of £50m. or more was also announced at the end of last year, following long discussions on the possible involvement of the commercial insurance market. After a study carried out by Sir Henry Benson of the Bank of England, it was decided that the risks were too great for the commercial market and ECGD stepped, or was perhaps pushed, into the breach.

The arrangement, to be run on an experimental basis for three years, will provide "joint-and-several" insurance cover for consortia or lead companies and contractors, against the possible failure of one or more of the participants. The scheme is an extension of the insolvency cover already in operation.

Overall, the new cover is aimed at avoiding the situation where consortia have been forced to offer bids which have been inflated by the need to build in safety margins. Applications for cover will be considered individually and on their merits, allowing ECGD through the newly re-organised Overseas Projects Board to get a clear view of the implications.

It remains to be seen, however, whether industry will make extensive use of this facility. There are relatively few cases where the scheme is applicable and the larger contractors may prefer to rely on their own resources as in the past rather than submit to the required scrutiny. The insolvency cover, introduced more than two years ago, has not been used so far, but it is clear that the new scheme could offer great benefits.

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Growing confidence in the economy
and much lower levels of interest are likely,
writes MICHAEL BLANDEN, to lead to a significant growth
in bank lending to industry.

Clearing banks

THE LATEST figures published by the London clearing banks are the first indication in recent months that there might be some increase in the demand for loans from manufacturing industry. Overall, the figures showed that the underlying rise in the banks' sterling lending to the U.K. private sector, after a long period of stagnation, was probably the order of £200m. in the month to mid-December.

This was much in line with levels reported in other periods and again confirmed that the general level of demand for finance has remained relatively sluggish. Within the total, the banks reported that demand had been widely spread. In previous months, the increases had been confined to sectors other than manufacturing industry, such as the service industries, agriculture and personal services. In December, however, the clearing banks said that there had been some increase in manufacturing industry, and particularly in engineering.

It is too early to be at all confident that industry is at last beginning to take up increased credit lines in order to support renewed expansion during the new year. But a number of bankers have started to detect signs of rather greater enthusiasm among their industrial customers. There are growing hopes that after a long period of more or less stagnation, the economic recovery of this year and the expected significant rise in industrial investment will bring real growth in their advances.

The prospects of increased demand could also be helped by the much lower levels of interest rates now ruling. At the beginning of last year, with sterling bank base rates at 14 per cent., corporate customers

Attractive

The only recent month in which lending showed a really sharp increase was in the period to mid-October, when the Bank of England figures showed that sterling lending to the U.K. private sector by the banking system as a whole had jumped by nearly £600m. This movement, however, appeared to have reflected special factors, including borrowing to finance purchases of tax reserve certificates at then attractive rates, and the growth of lending subsequently settled back at more normal levels.

There has also been some suggestion that the demand for borrowing may have been held down in the autumn as a result of the heavy inflows of funds from abroad. The Bank of England pointed out in its December Quarterly Bulletin that these may partly have had the effect of improving the liquidity of manufacturing industry, which for the time being would have therefore had less need to call on bank facilities. Now that the inflows have dried up, it could be expected that the underlying demand would reassert itself.

The general picture portrayed by the banks, however, is that the demand has remained depressed with industry making relatively low use of its negotiated lending limits. The trends

would have been paying between 15 and 17 per cent. for overdrafts. During the past year, base rates have been as low as 6 per cent. and even now, after an increase during December, have come back again to 8 per cent. So far, however, there has been little indication that movements in interest rates have had any marked impact on the overall demand for finance, although at various times differentials in rates have affected the distribution of lending among the banks.

are illustrated by the latest breakdown of lending by the banking sector published by the Bank of England, for the three-month period to mid-November. Over this period, total sterling advances to the U.K. private sector rose by £395m. Allowing for normal seasonal influences, this would indicate an underlying increase of about £750m., compared with a £1bn. rise in the previous three months.

Within the unadjusted total, however, manufacturing industry cut its sterling borrowing by some £30m., or 1 per cent., after increasing it by £660m., or 10 per cent., in the previous three months; the Bank suggested that a large part of the turnaround was probably explained by seasonal influences. Over the past 12 months to mid-November, total sterling advances to U.K. residents rose by £2.15bn., or 9 per cent., while lending to manufacturing industry increased by £539m., or 8 per cent.—below the level needed even to keep pace with inflation. Within the total rise, moreover, a substantial proportion—£239m.—was accounted for by the food, drink and tobacco sector. A more substantial rise was seen in lending in foreign currencies. Foreign currency advances to manufacturing industry increased by £429m., or 26 per cent., over the 12-month period, with the chemicals and allied industries accounting for £118m. of the rise.

While the general picture has therefore been unexciting, nevertheless, there have been some interesting developments within the overall pattern. One has been the competition which the clearing banks have at times felt from the aggressive activities of the U.S. banks in London, taking advantage of differences between bank base rates and money market rates to attract business from big corporate customers. Partly as a

result of this, there has been a noticeable trend for a greater part of lending by the clearing banks to the big customers, those in a position to switch their borrowing to take advantage of rate differences, to be at rates related to the current money market rates rather than base rate.

Another aspect of competition was seen in December, when the big banks settled on different base rates and Midland Bank took an aggressive stance, holding its base rate below the rest in an attempt to attract

business away from its competitors in providing guaranteed facilities as well as for the banks line early in January, and the other banks suggested that they agreed repayment schedule had not seen much loss of which can be tailored to the business as a result. But the needs of individual customers, banking figures for mid-December did show that Midland had achieved a substantial larger relative increase in its lending during the period.

The other major development has been the continuation of the banks' activities in providing medium-term facilities for their industrial customers, associated in most cases with building up a growing array of advisory services to support these activities. The importance of this aspect of lending was underlined in the evidence which the London clearing banks submitted to the Wilson Committee on the financial institutions last summer.

By 1976, the banks pointed out, slightly over 40 per cent of their direct lending to industry and trade was on medium-term facilities compared with less than 27 per cent. in 1973. These loans, normally for periods of up to seven years but recently increasingly extended for longer, have advantages for the bor-

All in all, British borrowers raised nearly \$2bn. in the form of international bond issues in 1977, according to Morgan Guaranty figures.

This was almost half the total amount raised on the Euromarkets, a development which is all the more remarkable since the \$2bn. which British borrowers raised in the form of medium-term Euromarket bank loans in 1977 was almost entirely accounted for by the \$1.5bn. loan raised by the Government in January, before the extent of the balance of payments turn-round had become evident.

Among the first issues made on the bond market was Inchepe's \$35m. convertible in March, which set the scene for further convertibles to be made in association with permission to raise dividends on the underlying stock by more than the dividend restraint rules would otherwise have allowed.

Other notable external bond issues by British companies last year were British Shipbuilders' \$65m. placement—the proceeds were to finance the part of the Polish shipping contract which could not be covered by subsidised credit—a \$120m. floating rate note for International Westminster Bank which was doubled in size from a scheduled \$75m. because of the strong response from investors and a \$100m. convertible issue for ICI, one of the largest convertibles ever seen on the Euromarket.

November saw what may perhaps turn out to be the most important development of all last year for the British corporate treasurer. This was the re-opening of the sterling sector of the Eurobond market.

The surge in foreign demand for gilt-edged securities earlier in the year had provoked Eurobond issue managers into trying to get the Bank of England's permission to use sterling for Eurobond issues. This permission was given early in November and the spectacular rush of companies to raise funds in the new market showed up the potential demand for long-term fixed rate money for British companies, if only the rates they had to pay were low enough.

In the Eurobond market, British corporate treasurers were able to raise sterling funds at rates roughly comparable to yields on gilt-edged. The four issues made in November for British companies were for between £10m. and £25m., for maturities of between seven and twelve years and were priced to yield between 9½ and 10½ per cent. Conversely, in the Swiss franc market the shortage of borrowers rather than investors, and Swiss franc 15-year funds can currently be raised for 4½ per cent. by prime borrowers. The D-mark sector is also a target for currency speculation and rates there range between 4½ and 7 per cent. depending on the quality of the borrower and the maturity of the bond.

With the change in
the country's economic fortunes MARY
CAMPBELL discusses the transformation this has brought
in the U.K.'s position in the Euromarkets.

Euromarkets

THE IMPROVED international standing and financial condition of Britain during 1977 led to a complete transformation of its position in the Euromarkets and of the use British borrowers made of Euromarket finance.

On the one hand British companies were able to raise funds again on the Eurobond market by the end of the year they were even able to raise sterling-denominated funds on the Eurobond market. On the other, public sector corporations, whose foreign currency borrowing in 1972-76 had originally been made in order to finance

Britain's balance of payments for borrowing companies to deficit, started a programme of early repayment.

The key developments which precipitated the changed situation were the transformation of the U.K. balance of payments from structural deficit to structural surplus between 1976 and the end of 1977 (together with the associated influx of foreign money on capital account) and the rise in the value of sterling. For those companies which issued convertible debentures abroad, the rise in London Stock Exchange prices was also crucial since it made it worthwhile

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CORPORATE FINANCE VI

If bank borrowing increases as expected this year, the interest rate movements of recent weeks can only be a good omen for industry suggests MICHAEL BLANDEN, since they have apparently reached a plateau at levels lower than for more than a year.

Interest rates

HOW FAR industry's decisions to invest in new equipment are affected by the cost of money is a subject of considerable uncertainty, but there can be little doubt that the sharp drop in the level of interest rates over the past year has been one of the factors contributing to an improvement in confidence. This has begun to be reflected in the figures of capital spending, which have shown a marked recovery since the spring of last year—with the prospect of the further improvement during the current year.

The latest statistics published by the Department of Industry showed that manufacturing investment rose by 5 per cent between the second and third quarters of 1977, to £55m. (at 1970 prices and seasonally adjusted). Over the first nine months of the year together, the level of investment was nearly 6 per cent higher than in the corresponding period of 1976. Moreover, given the sharp drop in investment spending by British Steel Corporation, which distorted the overall trend downwards, the volume of investment by private manufacturing industry had risen about twice as rapidly as the total.

Forecasts for this year vary markedly, and the Department's recent survey of intentions again indicated that plans had been revised downwards since the last time that manufacturers were asked about their expected levels of spending. Nevertheless, the results pointed to a rise of between 10 and 13 per cent in capital spending in real terms during this year compared with last year, falling between the 8 per cent, projected by the National Institute of Economic and Social Research and the 15 per cent, or so expected by the Confederation of British Industry and the London Business School.

The level of interest rates is by no means the only factor influencing the attitude of companies to new investment projects, for example, where the essential replacement or expansion of an operation is involved the cost of money may become almost irrelevant. Moreover, the actual effect of high interest rates will depend in part on the current and expected level of inflation. Even when bank lending rates were at high levels, the real cost of money ED 18 becoming an accounting standard, they have been quietly rate in the past year and the expected further decline in the early part of 1978 lower interest rates may represent a significant real burden.

Nevertheless, high nominal interest rates, whatever the level of price inflation, do impose a real strain on company finances by eating into their cash flow, an important factor in making investment decisions. At least at the short end of the market, the cost of money has been cut by more than enough to offset the reduced inflation prospects, thus potentially encouraging a greater use, for

example, of bank overdraft facilities: while at the long end, although rates have not come down so rapidly, there has been a significant decline. Industry has welcomed this movement, and is hoping that the new level can be sustained to permit sensible forward planning of investment.

Movements in short-term interest rates have been dramatic over the past two years, with the sharp fluctuations themselves presenting a problem for industry. The changes have been closely associated with the turn-round in overseas confidence in the U.K. and the renewed strength of the pound.

The peak level of rates was reached in late 1976, when as part of the various measures taken to restore confidence at a time when the pound was under heavy pressure the Bank of England's minimum lending rate was pushed up sharply to 15 per cent, while base rates at the big banks went to a peak of 14 per cent. This implied that even the top-quality corporate customers of the banks would be paying 15 per cent for overdrafts, while others could be charged around 17 per cent.

At the same time the cost of long-term money, as measured for example by the redemption yield on 20-year company debenture and loan stocks, reached

nearly 17 per cent. The story of 1977, however, has been one of a steady and at times rapid decline. In the early part of the year, rates came down sharply, with the Bank of England stepping in on several occasions to slow down the decline. By mid-May, MLR had dropped to 8 per cent, with bank base rates down to 8½ per cent.

The decline was largely based on the renewed demand for sterling, itself the result of the changed outlook after the conclusion of the International Monetary Fund loan and the central bankers' safety net for the sterling balances early in the year. During the first half of the year, the Bank was able to hold the value of the pound more or less steady in terms of both the dollar—at around \$1.72—and of the trade-weighted index of its value against a basket of 20 other currencies.

Pressure

In July, however, the dollar began to come under the pressure which lasted for most of the rest of the year. The Bank abandoned the policy of keeping the pound steady in relation to the dollar, concentrating instead on the index.

This was followed during August by another downward

move in short-term rates, with MLR dropping to 7 per cent and base rates to 8 per cent. The final stage of the decline came in September and October, when the inflows into the U.K. built up to an exceptionally high level and forced rates down again. MLR finally dropped to a low point of 5 per cent, while base rates went down to 6 per cent.

This, however, reflected an unstable situation, with the efforts of the U.K. authorities to prevent the pound from rising bringing very large increases in the official reserves and threatening the control of the money supply. At the end of October the Government was forced to abandon the policy of holding sterling down: in late November growing expectations of an upward adjustment in interest rates were fulfilled. It was generally recognised that the low levels reached in the previous month could not be sustained, and the Bank allowed a sharp jump in MLR to 7 per cent.

This was followed by an unusual experience in banking when the big four banks took different views in an uncertain money market of the appropriate level of rates. Base rates varied between 6½ per cent at the Midland Bank, which took a particularly aggressive stance

in competing for business, and 7½ per cent, at Barclays and National Westminster.

With the New Year, the opportunity arose in more stable conditions to allow the level of rates to ease down slightly again. With MLR falling to 6½ per cent, on the first Friday of the year, banks took the opportunity to come back into line with base rates at 6½ per cent. The general view seemed to be that the rate competition of the previous month had not produced any significant gain of business for the cheaper banks, and that with a prospect of a more buoyant demand for credit during the current year there was less incentive in any case to fight for a share of the existing market.

For industry, however, the movement can only be regarded as helpful, confirming the new lower level of rates after a period of some uncertainty. From the peak levels of 1976, the cost of long-term money had also dropped by the end of last year to under 12 per cent. There seems a reasonable prospect that, while rates will be adjusted from time to time, there should not be in the coming year the kind of abrupt movements experienced in the recent past which have been a factor discouraging investment decisions.

As masters of corporate financial strategy, the merchant banks—with a good year behind them—ought to be able to look forward to the rest of 1978 as a period of improving business prospects, writes NICHOLAS LESLIE.

Merchant banks

TO HAZARD a guess at what will most occupy the attention of the corporate finance arms of merchant banks this year is a hazardous exercise given the way such predictions can so easily be confounded. Nevertheless, there is good reason to think that takeovers will feature fairly strongly even if the pattern is for relatively small deals.

Companies have been showing increasing signs of wanting to break back into a growth phase through acquisition, or to use such a means to diversify. A factor encouraging them to do so has been the substantial fall over the past year in the cost of money. But elsewhere in merchant banking corporate finance it is hard to see anything beyond a mixed bag of capital raising (mainly through a continuation of rights issues), capital reorganisations and raising medium-term loans for industry. In this latter sphere there are expectations of a pick up in demand a little later in the year but it still seems inevitable that the merchant banks will, as last year, be competing hard for a limited amount of business.

For the venture capitalists the picture, on the whole, is not particularly encouraging. This is primarily because there is by most accounts still a dearth of good projects. Despite all the discussion that has taken place over the past year or so about the problems that individuals and small companies face in getting the type of seed capital they feel they need to get a business properly off the ground, most venture capitalists say that the quality of ideas submitted to them is still poor and that the fault is not theirs that the number of new venture capital investments remains low.

Part of the difficulty when talking about venture capital is so often one of definition. For the most part venture capitalists admit to not being over-keen on backing speculative start-up situations, but instead are seeking to put money into projects or companies which already have some sort of track record and are now in need of, say, between £50,000 and £100,000 for their next phase of development.

Most merchant banks have entered 1978 with a good year of profits behind them. Much of this improvement has resulted from activities outside the strictly corporate financial sphere, but the broad range of corporate facilities have played their part. The greater buoyancy has developed at a time when competition has been on the increase not only as a result of the clearing banks further expanding their merchant banking subsidiaries, but also because overseas banks, and particularly the American ones, are becoming increasingly active in this area—even if they do tend to concentrate on the Euro-market sectors.

Specialist

Specialisation has persisted. This is a natural consequence, it is felt in some quarters, of the independents having had to share the market with an increasing number of competitors. Hambros, for example, is known among other things for its major business in acceptance credits. Even the clearing bank subsidiaries have taken the specialist path. Barclays Merchant—while obviously using its financial muscle to expand its medium-term lending—featured strongly in takeover activity. This was almost entirely due no doubt to the reputation of Mr. Charles Ball, its former chairman who left towards the end of 1977 having not seen eye to eye with the parent bank on medium term lending and other points. Whether it will follow a similar pattern this year if the expected increase in takeover activity materialises remains to be seen.

There is some expectation in merchant banking circles that corporate finance departments will be taken up increasingly with advising in takeovers by American companies of British concerns and, conversely, of American companies by British groups. It is felt that there has been a significant change of view in the U.S. of prospects for British industry. Instead of being extremely cautious, as they were two years ago when the British economy was in dire straits, with interest rates running high and the pound falling in value, there is now a growing feeling among American companies that Britain can offer good investment opportunities. It seems probable, though, that purchases will be fairly modest, with U.S. companies preferring to develop from small, though

already successful beginnings, rather than taking a large slice at the outset.

Even among domestic takeover activity it is felt that merchant banks are unlikely to be called on to handle many deals of great size and one reason cited for this is that management are becoming much more circumspect about the possible intervention of the Office of Fair Trading. By setting their sights fairly low they feel they will avoid the problems of a Monopolies Commission probe.

Mr. Michael Richardson, head of Finance for Industry's merchant banking division, sees merger broking as one of three more likely trends this year. This, he feels, will probably take the form of companies seeking merchant bank help in finding attractive partners for straight expansion in their existing business or to help them move into new areas of activity. He also expects some divestment by big companies of subsidiaries which they feel no longer form a rational part of the rest of their operations; this is a view echoed elsewhere in merchant banking circles.

Handful

Another trend he expects is in helping institutions find good investment opportunities in private companies. The relative inactivity of the stock market and with just a handful of companies having gone public over the past five years or so, means that institutions are casting their nets into the private company to find a good home for their funds. It also seems likely that such private company investments will be nurtured towards a public quotation firstly by dealings in their shares under Rule 163 (2) of the Stock Exchange and then to a full listing by way of an introduction. But there is a fairly wide division of opinion as to how many new listings will be achieved, simply because many believe there is still widespread scepticism among management of the benefits of a public quotation.

Mr. Richardson, in common with other merchant bankers, also expects more rights issues, particularly among medium-sized companies, to be made this year, certainly at a higher rate than has been the case in the past six months or so. And a more active over the past year banker is that if interest rates continue to ease there may well

be some issues of debenture again by the early summer.

Overall, the probability is that there will be a reasonably amount of capital and money raising done by corporate finance men at the merchant banks, but that they will also be pretty busy giving advice in a variety of situations.

As for venture capital, Mr. Steven Dollman, marketing director of the National Research Development Corporation, is predicting a limited level of demand. He acknowledges that the state of publicity that has been generated about the area of business and about small companies as a result of the Lever Committee and the Wilson inquiry have generated increased knowledge among bank managers and accountants and the like who are important in bringing forward potential venture capital customers. But he then says that even with perfect knowledge there would still be limited demand because so many ideas fall down through lack of quality.

NRDC, though, is perhaps a special situation in that its brief is essentially to back projects rather than companies. In this role it provides what few others do—real risk money. It will fund a project without any security and will seek its return purely by taking a percentage on sales of the product it backs. Thus, if the product fails NRDC gets nothing back. Most other venture capitalists will want some security, either by a charge on assets or by taking an equity stake. Theirs is essentially development rather than risk capital, although Technical Development Capital, a subsidiary of the Industrial and Commercial Finance Corporation (itself an arm of Finance for Industry), does back some start-up situations as indeed does ICFC itself on occasion.

Generally, though ICFC, along with others like Charterhouse Group, Gresham Trust and the Small Business Capital Fund are more interested in a situation which already has something of a track record and is now looking for between £50,000 and £100,000 to take it through its next stage of development. And while Mr. Dollman may be finding suitable investments this past six months or so, the latter category have been far more active over the past year or so than in the stagnant years of 1974-76.

Now that the current cost accounting debate has more or less been resolved in favour of Mr. William Hyde's guidelines, the procedure for inflation adjustment ought, MICHAEL LAFFERTY points out, to be more easy to deal with from now on.

Inflation accounting

NINETEEN SEVENTY SEVEN was the year when the great push towards a complete changeover to the inflation accounting system known as current cost accounting (CCA) was severely checked, if not brought to a standstill. Instead of the proposals contained in ED 18 becoming an accounting standard, they have been quietly rate in the past year and the expected further decline in the early part of 1978 lower interest rates may represent a significant real burden.

It has been an extraordinary year for the Inflation Accounting Steering Group, chaired by Mr. Douglas Moppett, had been established in late 1975 to finance by eating into their cash flow, an important factor in making investment decisions. At least at the short end of the market, the cost of money has been cut by more than enough to offset the reduced inflation prospects, thus potentially encouraging a greater use, for

and industry. After many months of deliberations this steering group produced the exposure draft ED 18 and announced that it was on course to meet the Sandilands timetable for implementing CCA in the accounts of larger companies by 1978.

But the six months of exposure allowed for the ED 18 proposals was hardly half-way through before it became clear that the document was too ambitious. By attempting to cover every aspect of accounting, and by seeking to do it all in line with the highly ambitious Sandilands schedule it fell between almost every interested organisation found something to object to in ED 18.

The final nail in the exposure draft's coffin came on July 6, 1977, when members of the English Institute of Chartered Accountants—the largest and most influential accounting body

PUBLISHED CCA PROFITS ADJUSTED BY THE HYDE GUIDELINES

Company	Pre-tax profit	Cost of sales adjustment	Extra Depreciation adjustment	Gearing adjustment	CCA profit	% Change
Akroyd and Smithers	15.5	—	-0.2	-2.3	13.0	-16
Associated Engineering	32.5	-11.8	-5.3	+6.3	21.7	-33
Brooke Bond	49.8	-41.8	-7.3	+9.8	10.5	-79
Serck	9.3	n.a.	n.a.	n.a.	5.6	-40
Smiths Industries	20.5	-8.5	-2.6	+3.3	12.7	-38

in the country—voted against making any system of CCA compulsory by a margin of 15,500 to 13,200. The vote represented nearly half the Institute's membership and was a record for any ballot of members. It was all the more exceptional since the anti-CCA resolution had been initiated by two small practitioners from Burgess Hill—Mr. David Keymer and Mr. Martin Haslem—who had pressed ahead against the express wishes of the Institute's president and the personal pleas of such elder statesmen of the profession as Sir Ronald Leach.

With the inflation accounting issue thrown wide open once again, the Accounting Standards Committee—the professional body with overall responsibility for rule-making in the private accounting area—was left to pick up the pieces. This it did with commendable speed by setting up a group headed by Mr. William Hyde, chief accountant of Oxford University, to work out interim guidelines for adoption by large companies in their next published accounts.

Striking

The Hyde guidelines, as they have come to be known, had really been prepared even before the decisive vote had gone against ED 18. They bore a striking resemblance to the alternative CCA exposure draft produced by the London branch of the Institute of Chartered Accountants during the ED 18 debate.

Although they have nothing like the status of accounting standards, the guidelines have got off to a good start. A majority of the companies in the FT 30-share index, for example, indicated that they would give the requested information in their 1977 accounts when the guidelines were released in late November 1977. Already a number of companies including Akroyd and Smithers, Brooke Bond Liebig, Associated

Engineering, Smith Brothers and Serck have published figures showing what their CCA profits would be after correct historic profits for the three Hyde adjustments.

These three adjustments are:

- Extra depreciation based on the estimated current value of plant and machinery.
- A cost of sales adjustment.
- A gearing adjustment.

The guidelines deal only with the profit and loss account. CCA data are not requested for the balance sheet, although certain balance sheet adjustments will be necessary for calculating the above three adjustments. The guidelines are extremely simple and general, so that companies are encouraged to experiment and develop their own systems for matching current costs and revenues. As a result, indices are likely to be widely used, for making the cost of sales and depreciation adjustments.

The gearing adjustment is, of course, the least known and by far the most controversial of the three calculations. The guidelines cover two different situations:

If the total liabilities of the business (including preference share capital) exceed its total monetary assets, so that part of its operating capability is effectively financed by the net monetary liabilities, an adjustment should be made to reflect the extent to which the extra depreciation and cost of sales adjustments do not need to be provided in full from the current revenues of the business in showing the profit attributable to the shareholders.

If the total monetary assets of the business exceed its total liabilities, an extra adjustment should be made to reflect the increase in the net monetary assets needed to maintain its scale of operation.

The first situation covers the typical company, whereas the

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CORPORATE FINANCE VII

Accounting

CONTINUED FROM PREVIOUS PAGE

and deals with businesses as banks. Where there is excess of monetary liabilities following steps should be followed after calculating the depreciation and cost of adjustments:—

Revalue fixed assets and, if serial, stocks to current costs, fitting the surplus to reserves. Calculate the gearing proportion. This is the proportion of net monetary liabilities to shareholders' funds.

Calculate the gearing adjustment by applying the gearing proportion to the extra depreciation and cost of sales adjustments.

Education

According to Phillips and figures the gearing adjustment adds back some 20-25 per cent of the other adjustments, giving an overall reduction of pre-tax profits of about 32 per cent. As far as individual industries are concerned the action in after-tax profits or writing back deferred ranges from 70 per cent in the case of general engineering to only 15 per cent in the case of breweries. Food manufacturing and newspapers and publishing are other sectors showing reductions of 55 per cent each.

The U.K. has not been the country where progress in current value accounting

ing systems has been slowed down, or possibly interrupted for some time. In the U.S. the Securities Exchange Commission's requirement for replacement cost disclosures received considerable resistance in its first year (1977). Further action may be deferred until the Financial Accounting Standards Board completes its project on the conceptual framework of financial accounting and reporting.

Australia, once the pace-setter in this field, has also delayed its original schedule for mandatory CCA until July 1, 1979 and even this looks ambitious with further opposition growing from the business community. Other countries which have yet to issue rules (although some proposals have been issued) in this area are Canada, New Zealand, Japan (consolidated accounts are required there for the first time this year), and South Africa.

The French securities commission, the COB, has decided after all not to require listed companies to make CPP disclosures, while its Government has introduced rules for the revaluation of assets. The Germans remain implacably opposed to any system of inflation accounting, and as far as is known not one large German company has complied with the CCA recommendation issued by the German accounting profession back in 1975. It looks as if HCA will take a little longer to dislodge than may have been imagined a few years ago.

Installment credit of various kinds is an established element in the nation's borrowing machinery. Given the curbs on the consumer, as JEFFREY BROWN explains, it is no surprise to find that industry is increasingly the main customer.

Finance houses

DERLYING business activity survey suggests that more than half the finance houses 50 per cent of all finance house lending now goes to industry. Moreover, the FEA makes no line in interest rates—bonuses about the growth at this minimum Lending Rate halved end of the business—at the 7 per cent over the span of direct expenses of consumer credit. Its figures for the third quarter of 1977 show a continued sluggish capital raising by industry. At the end of time lending to the corporate sector has continued to grow as a proportion of the finance house lending overall.

In general, finance house facilities do not compete with those of the clearing banks (or old) on consumer credit, which, especially through the use of overdrafts, tend to be the finance houses underpin the day-to-day needs of the corporate sector, notably lending of funds to industry. Nor are the realities of the situation confused by the lack of their way into capital raising official statistics on requirements demanding long-term or permanent finance. In the Association takes a provider to industry of medium-term money for investment in the picture. The FEA plant, machinery and vehicles.

Finance of this nature varies from house to house and in certain instances can be a specialist, almost bespoke, arrangement. Basic credit finance, however, breaks down into four simple forms—hire purchase, leasing, contract hire and rental and direct loans. The greater part of finance house lending to industry concerns hire purchase and leasing. Both are forms of instalment credit and under both the borrower gets the assurance of finance for an agreed period (one generally covering the working life of the assets to be purchased) at a cost known at the beginning of the transaction.

In both cases, the asset provides the lender (the finance house) with its security, and only in exceptional circumstances will the finance house require additional security such as a charge over other forms of asset.

Contract hire and other forms of rental are for the most part variations of leasing. This is a specialised facility mainly used for vehicle financing in which the user pays only the pre-calculated depreciation during the fixed hiring period. Frequently provisions for maintenance, service and repairs are included in the contract. In the case of heavy commercial vehicle contract hire, provisions for drivers and fuel can also be part of the package deal.

As an alternative to hire purchase some companies settle for direct loans with the security in a re-saleable asset being replaced by security in creditworthiness. Loans of this nature are invariably made for a specific purpose—United Dominions Trust quotes some simple examples of its lending in this respect by pointing to the installation of air-conditioning of anti-fire sprinklers.

Similar

As for the terms of credit finance, the sort of down-payments demanded by hire purchase and leasing contracts are broadly similar in cost. Hire purchase down payments constitute a deposit, while for leasing contracts this amounts to the number of rentals in advance; both types of transaction are quick and inexpensive to arrange. In both cases a high degree of flexibility of terms for the finance houses. Against terms of a repayment can be £1.2bn., the company's outstanding balances at the end of September were £985m. of which just over a fifth was represented by lending overseas. Of the balance, leasing accounted for almost a quarter.

There are a number of variations on the normal pattern of repayments associated with hire purchase or leasing contracts. Some have curious names like balloon or skip payments. The former are mostly used in contracts where goods have a high residual value, while skip payments are tailored to suit customers in the construction

The stock market still shows little sign of regaining its traditional role as one of the main sources of company finance. In part this reflects the continued low level of demand, but the dominant factor, as BARRY RILEY points out, is the growing weight of the institutional investor.

The stock market

market is not necessary. Many other countries have achieved quite satisfactory economic growth without one. But the Stock Exchange itself naturally has no option but to seek to rebuild its role. To continue to rely on institutional investors for a greater and greater share of business would threaten to bring about an ever increasing volatility and market inefficiency, while in due course the institutions are likely to insist upon negotiated commissions which could put enormous pressure on the profitability of Stock Exchange firms (as they are already doing on Wall Street).

There are several strands to the Stock Exchange's policy for safeguarding its long-term position. First, it will of course make every effort to maintain its role in the large company sector where the rights issue mechanism has become increasingly refined. There are also hopes that the current decline in inflation will bring about a revival of debenture and loan stock issues, which have been virtually absent since 1972.

Judging by what has been going on in sterling Eurobonds, companies will become keen borrowers again when the available long-term rate falls to within the 10-10½ per cent range.

Certain efforts are now being made to channel funds from the big institutions towards small companies through specialised intermediaries such as venture trusts. This underlying trend to affect the underlying trend to any great extent, and although the situation has been improved slightly by the recent general improvement in share prices the future role of the stock market remains a subject for debate.

It can, of course, be argued that a large and active stock

of shareholders will become sufficiently large to justify a full listing. An interesting success story in this respect reached its climax late last year when Henry Sykes, a medium-sized pump manufacturer, was introduced following a period of a few months in which Rule 163 (2) bargains were being sold on the cheap.

The third line of attack has become increasingly evident in recent Stock Exchange pronouncements—it is starting a campaign to restore the role of the small investor in the equity over-the-counter market. But Sykes was not a typical small entrepreneurial company, for it already had a number of large institutional investors and there are no big family shareholdings.

To help promote the Rule 163 (2) facility the Stock Exchange has arranged for the Financial Times to publish the week's bargains marked under this rule in each Saturday's issue. This can be seen as the Stock Exchange's own over-the-counter market.

The present tax system encourages people to save collectively. Pension schemes confer major tax advantages, for instance, and income tax reliefs are offered on life assurance. In contrast, purchases of shares by individuals have to be paid for out of taxed income, any realised profits are liable to capital gains tax without (at present) any offset for inflation, and dealing in shares incurs stamp duty and VAT on commissions.

Changes in the tax structure in these areas could encourage investors to take a much more individual line. But there are other problems. Private companies are being offered the possibility of lower disclosure standards, and high personal tax rates encourage private entrepreneurs to take their remuneration in ways that public company auditors might frown on. It could be quite a while before the stock market again becomes an attractive financing medium for smaller companies.

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CORPORATE FINANCE VIII

Among the growing number of financial services available to industry, factoring is well established as an aid to cash flow, particularly since the big banks have made their presence felt. ANTHONY THORNCROFT examines the basic advantages and the methods of operation.

Factoring

FACTORING is now a firmly established and successful service to British industry and yet still only a minority of businessmen would be able to give an accurate description of the factor's work. This is changing, especially now that the four clearing banks dominate the industry through their subsidiaries, but only slowly. Basically most factors offer three services. They all undertake the debt collection for their clients, sending out the invoices to customers and making sure that bills are paid. In effect a company using a factor can dispense with its own accounts department. Secondly, most factors (Alex Lawrie is the main exception), offer their clients a guarantee against bad debts, although there are exceptions here, which are best covered later.

Inflow

Finally, in addition to these obvious services, factors provide a cash facility, advancing to their clients up to 80 per cent. of the value of the debts they are collecting. This means that companies have a fixed and certain inflow of cash and can make this money work for them. Factors charge an additional fee, usually around 2-3 per cent. above the general lending rate, for this facility, but there is no pressure on clients to take the service. It is generally most widely used during times of scarce and expensive money.

In the past year the factors maintain that a majority of clients are using their administrative rather than their financial services. For this they usually charge between 1 and 2 at £98.4m. and made a profit of

per cent. of the turnover handled, depending upon the problems they have in collecting the debts. Many factors find that it is uneconomical for them to gather in debts of less than around £125, although once again some, like Alex Lawrie and Arbuthnot, tend to specialise in helping small companies. Basically factors assess every prospective client individually and quote according to the difficulty of the undertaking—and they still tend to turn down most applicants, in particular companies in a bad way who see factors as a financial solution to their problems.

At the moment the factors have had a prosperous year and are optimistic about the future. Over £900m. of turnover is now factored in the U.K. with more than 1,000 companies using a factor. They tend to be below £1m. in annual sales although often a division of a large company will employ a factor, perhaps only on its export business. The general idea is that a factor nurses a small and expanding company through its first five years or so and then the client will want to build up its own accounts department and handle its own affairs.

Factoring now looks much more stable because the four major banks are expanding their factoring operations by encouraging their local branch managers to point out the advantages of the service to likely customers. In particular Lloyds (and Scottish) controls International Factors, which all told handled turnover of £157m. in 1976-77 (and made a profit of over £700,000); Alex Lawrie, which handled debts valued

£697,500; and has just taken over the Bank of America factoring operation. Lloyds sees International as its main factor, with a big stake in export factoring—£33m. in the last financial year—while Alex Lawrie handles almost 300 generally smaller firms. Alex Lawrie is unusual in not providing credit cover.

Not offering insurance against bad debts is not such a disadvantage to Alex Lawrie. For

a start it reduces the cost to the client, and then there is a constant complaint against factors that they only cover the safe debts. If a factor does not like the look of a client's customer it will refuse to provide cover, or only to a certain sum. In practice perhaps a quarter of a client's accounts will not be covered by its factor, which rather reduces the effectiveness of this service. Even so factors rarely leave aside more than 0.1

Another increasingly popular means of helping the company cash flow is leasing.

ROBERT HAWKINS, Editor of Leasing Digest, reviews the main lines on which this particular form of financing is developing.

PENCILLED-IN figures for the year, albeit hesitantly, and that value of new equipment bought last year by members of the Equipment Leasing Association (ELA) indicate a record £550m. spent on capital equipment, compared to £421m. in 1976. Order last year. Ten-month front-end rental deposits on company vehicles are no longer required from the users, or the capital equipment finance lessees. Moreover, the Inland Revenue permits bona fide lessors to take first year allowances on business vehicles, and a large part of the benefit of deferred taxation can be passed on for the benefit of lessees. There has been something of a rush into the vehicle leasing market (and indeed into leasing in general), with many specialist schemes being devel-

per cent. of turnover a year to meet any bad debts they have to bear.

Apart from Lloyds, National Westminster has the biggest single factoring operation, Credit Factoring, which is responsible for around £240m. of turnover and has stepped up its investment into France, while the Midland works through the Griffin and Barclays has its own operation. There were other significant factors but they have either been bought by the banks or ceased operations, apart from Arbuthnot and H. and H. Factors, which is mainly owned by the Heller Corporation of the U.S. and which is part of a big international network.

Dislike

H. and H. reckons it gains by the fact that its competitors are clearing bank owned because many companies dislike the idea of their banker also operating as their factor and if this happens the banks often pass on inquiries to H. and H. rather than to a competitive banking factor.

It is unlikely that any more

big operators will enter this field so the future looks like one of consolidation. The existing factors will expand by taking on clients in new markets—in the past there has been a concentration in textiles, engineering and manufacturing generally but now service companies can find a factor—and by developing exports. The factors tend to have overseas associates, if they are not part of an international group, and by using the knowledge of their foreign connections they can vet potential customers for clients and make exporting as easy as selling inside the U.K.

Perhaps the main attraction of using a factor is that it enables the management to get on with what it does best—production and marketing—without having to worry about gathering in the debts. By taking the financial service of early payment a client can pay its own debts promptly, and perhaps gain discounts, and also have the cash to take advantage of any good buying opportunity, although, while the basic factoring charge is quite reasonable, the extra cost of getting early payment can make this an expensive benefit.

private luncheon arranged by the ELA in September: "It had never been intended that this problem. One advantage leasing was that fixed rates were available, but with hindsight a floating rate may have been more advantageous in recent months in view of developments in the money market."

There has been a rush of interest in the leasing industry in the past two or three years, and the fear is that a certain number of schemes have been set up which will close to the wind; if the Revenue decides that something may have to be done about them, the leasing industry's flexibility may be reduced. The Inland Revenue held absolutely no animus against leasing in the conventional sense, Sir William emphasised.

For the rest, the leasing industry is in an ebullient and happy mood. It has been able to offer medium-term financing facilities to industry during times of great difficulty on an ever-expanding scale. It has been able to do this with a flexible approach to business.

One prominent lessor gives the example of a ten-year lease provided on a complicated and costly chemical plant development. Progress payments were met by the lessor over a period of two years, and during the first two years of operations, when financial returns on product output were low, small rentals were charged on the lease. Thereafter, when the industrial facility began to make good profits, the rentals were stepped up to levels profitable for the leasing company.

Lessors in the market place have found that lease-education among industrialists has improved markedly in the last year or two, but there is still much to be done in this area. The basic problem has been to remove the mystique of leasing and allow potential lessees to view it as simply a medium-term financing method which has certain advantages and disadvantages, of which tax considerations may or may not form a part.

At a recent conference Robert Napier, Fison's Group Treasurer, had the following to say when the group first took a look at leasing: "From the outset we regarded it as a method of financing no different from the overdraft or medium-term loans." There was an elementary difficulty in translating lease quotes (usually in pounds per thousand per quarter) into interest rates, but the ELA in September: "It had never been intended that this problem. One advantage leasing was that fixed rates were available, but with hindsight a floating rate may have been more advantageous in recent months in view of developments in the money market."

His major criticism was the keenness of lessors to business fluctuated with the months of the year. Because lessors have taxable profits at the end of their financial year which are best used to invest in capital equipment for the purpose of deferring tax payments, they offer more competitive rates at their account year-end. This means that if equipment must be delivered no later than the year end, all documentation must be completed. Napier pleaded for more flexibility on this point. "We cannot plan our capital expenditure programme to meet the timing needs of the leasing industry."

Matrix

At the same conference Napier received support from the Regional Treasurer of the International, Mr. G. R. Whitely, who asked that some form of matrix be made available which would indicate the penalties associated with a delivery slippage, so that decisions could be directly related to the cost of the factor. Many lessors, it transpired, are beginning to do this. Problems would be created for leasing companies if the Chancellor changed the basis of taxation during the course of the lease (tax variation clauses are often a feature of leases). But what the debate illustrated was that lessors are willing to talk through problems of this sort.

The wider outlook for the future of leasing is invariably considered to be good, both in the U.K. and for Europe. At the annual conference of European leasing associations (Leaseurope) in Oslo toward the end of last year, it was estimated that leased equipment purchases in the U.S. between 1972-76 amounted to \$60.7bn., in the U.K. to \$2.5bn. and in the whole of Europe to about \$18bn. Since Europe shows every sign of following the U.S. and has a population one-and-a-half times that of the U.S., there is clearly considerable scope for future growth.

Leasing

opened, and in some cases lessors or dealers have been relying on the second-hand price of vehicles coming off lease to give them extra profits on their transactions. The large, solid companies in the car leasing business, and many smaller ones, have taken care to develop their business on sound lines—but some elements may find themselves facing problems.

Mr. M. W. Lacey, director of the second-hand car dealers' "Bible," Glass's Guide, has indicated in speeches and articles in recent months that car prices will rise more slowly this year, and that consequently the second-hand prices of cars will also fall off, and indeed return to more conventional straight-

line depreciation rules. The inference from the leasing industry's point of view is that some companies which speculated on large residual values after two-to-three-year leases expired may face problems later this year or next.

The second problem has wider implications for the leasing industry. Lessors, like industrialists, are entitled to tax deferrals on new equipment purchases. The Inland Revenue has been getting restless about the appearance of companies in the role of lessors doing one-off leasing deals, when they are not normally in the business of leasing. Sir William Pile, the chairman of the Board of the Inland Revenue, said at a



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COMPANY NEWS

Frederick Burgess to stay private

BY KEITH LEWIS

A consortium of four financial institutions is to put up at least £2.5m. of a £3m. fund-raising operation for Frederick H. Burgess, the public but unquoted agricultural equipment distributor and manufacturer. The four, headed by Charterhouse Development Corporation and Commercial Finance Corporation (CFC), are: Charterhouse Investment Trust (CHIT), and Railway Pensions Investments, will subscribe for variable rate Preference stock, which guarantees holders a net return of at least 9½ per cent. per annum.

The scheme is especially unusual in that it is a method of raising new capital which preserves the voting power of existing holders—the company is 80 per cent. family controlled—and which avoids any valuation being placed on the equity of the company for tax purposes.

Any scheme that placed a market value on the Ordinary shares could be used by the Inland Revenue for Capital Transfer Tax and Capital Gains Tax assessments against the family. As things stand, holders are able to negotiate share valuations which may be lower than strict market value.

The scheme is further seen as an alternative to a public flotation of the company which,

BOARD MEETINGS

The following companies have notified dates of Board Meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TO-DAY
Interim: Allied Colloids, Best and May, Cray Electronics, J. B. Eastwood, Howard Samuels, Wolman Engineering, Flaxton-Strid Group, Great Northern Investment Trust, Messin Holdings, Spencer Clark Metal Industries.

FUTURE DATES
Interim: Amalgamated Distillers Products Jan. 24, Collier J. and J. Jan. 19, Hallite Holdings Jan. 23, Stoddard Jan. 23, Mackintosh of Scotland Jan. 18, Westinghouse Brake and Signal Jan. 18.

according to financial advisers Charterhouse Japhet, was a possibility 5-10 years ago. Mr. Anthony Burgess, a director, told a Press conference yesterday that the members of the Board saw no advantage in "going public," although there is the possibility that a quotation will be sought for the new Preference shares.

The holdings are to be split as to 33½ per cent. apiece for CFC and Railway Pensions, 25 per cent.

for Charterhouse Development and 8½ per cent. for CHIT. Ordinary shareholders will have the opportunity to subscribe for £200,000 of the new stock on the basis of two-for-five Ordinary shares held, though the institutions have said that they are prepared to take up any outstanding stock.

The rate of interest paid on the Preference shares will vary according to a complex formula linked to the profitability of the group over 1977 and 1978. Pre-tax profits of £2.2m. were achieved in 1976 and the Board is forecasting a figure of £2.7m. for the current year. A "standard profit" figure of between £2m. and £2.5m. will be used for determining dividends which will rise, after January 1979, by 2½ points over 9½ per cent. for every £1m. in excess of the "standard profit" figure. So, on the basis of an actual profit of £2.5m. against a standard profit of £2m., the interest rate would rise from 9½ per cent. to 14½ per cent.

Burgess is traditionally a distributor of farm machinery, but moved into the area of manufacture when it acquired voting control (57.8 per cent.) of Bamford last year. The new cash is being used in reducing bank borrowings and also in expanding the group's national spread in distributorships.



Mr. David Gestetner, joint chairman of Gestetner. Full year results are due to be announced tomorrow.

Citibank sells Singapore stake to Midland Bank

Midland Bank is to take over provisional valuation placed on the 40 per cent. stake in First Overseas Credit, a Singapore finance house-cum-merchant bank, which is currently held by First National Citibank of the U.S.

Parties to the deal declined to comment on the reasons for Citibank's withdrawal, or on how much the U.S. bank will receive for its stake.

The fact that Midland Bank is providing the new general manager for FOCL, Mr. William Lewis, suggests some change in the consortium's management style. Citibank has previously provided its top management. A name change is also possible.

FOCL was set up in 1970 as a finance house but combining the functions also of merchant bank and development bank. Apart from Citibank, its shareholders are Overseas-Chinese Banking Corporation holding 45 per cent., Great Eastern Life Assurance, 10 per cent., and Overseas Assurance Corporation, 45 per cent.

These are local groups. Midland Bank is overseas correspondent to DCBC and is also one of the seven European partners in European Asian Bank, another consortium venture in Singapore.

This is the second withdrawal by Citibank in recent months from joint banking ventures in this region. Last month it announced 45 per cent. stake in Ruyat First Merchant Bankers in Kuala Lumpur, a joint operation with Bank Kerjasama Rakyat (Malaysia) Ltd.

In October last year, another leading U.S. bank, Bank of America, announced the restructuring of its consortium banking venture in Singapore and in Hongkong, Asian and European Merchant Bank, involving the departure of four European banks from the venture.

Nationalisation accountants on schedule

Accountants Whimsey Murray, who are acting as the Government's accountants, say that they are "on schedule" for completing assessments and valuations of the unquoted shipbuilding and aircraft interests nationalised by the Government. These will form the basis for the calculation of a payment on account to be made early next month to companies such as Swan Hunter and Vickers.

Lord Winterbottom said in the House of Lords last November that the size of the payment on account "will be related to the

Robert Jenkins sells subsidiary for £200,000

The Board of Robert Jenkins (Holdings) announces the sale of R. J. Building Products, a subsidiary of the company, to GPG Holdings.

In addition, GPG will take over all indebtedness of the company. In terms of commercial activity, RJBPL carries on a substantially different business from the other companies in the Robert Jenkins group and the sale is part of a policy of concentration on activities more related to the engineering base of the group.

The cash received and the borrowings released will be redeployed in the Group's existing business.

STRATHERN INV. ACQUISITIONS

Strathern Investments has acquired a 75 per cent. stake in Nuisance, a garden twine and horticultural products company based in Scotland.

Mr. Bruce S. Kyle, chairman of Strathern, says the investment is a first step in the company's planned entry into garden care and other do-it-yourself markets. The company has also recently acquired over 90 per cent. of the equity in Robertson Ireland and Company, the jute merchandising and furnishing fabrics concern.

FT share service

The following securities have been added to the Share Information Service appearing in the Financial Times: Data Corporation (section: Americans), Holden (A.) (section: Industrials).

Unaudited Results for six months to 30th September 1977

	6 months to 30th September 1977	1976	Year to 31st March 1977
	£'000s	£'000s	£'000s
Turnover	18,201	15,952	35,242
Profit before taxation	1,747	2,748	5,317
Profit after taxation	966	1,580	3,091
Earnings per share	7.5p	13.0p	25.5p
Dividend per share	2.0p	1.8p	5.052p

Esperanza Trade and Transport Limited

Copies of Interim Statement may be obtained from:

The Secretary,
18, Rood Lane, London EC3M 8AP.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
Poole (02013 5151)	9½	1-year	£500	4
Poole (02013 3151)	10	1-year	500	5-7
Redbridge (01-478 3020)	10	1-year	200	5-7
Thurrock (0373 5122)	9½	1-year	300	4
Thurrock (0373 5122)	10	1-year	300	5-7

APPOINTMENTS

Executive changes made at Allied Irish Banks

Mr. Niall Crowley, who became chairman of ALLIED IRISH BANKS in October, has been appointed chairman of the subsidiary, Allied Irish Finance Company and Allied Irish Investment Bank, in succession to Dr. E. M. R. O'Driscoll, who remains a director. Mr. Joseph McGillem, group managing director, has become deputy chairman of the subsidiary. Mr. Michael Murphy, managing director of Allied Irish Investment Bank, has been co-opted to the Board of Allied Irish Banks, and Mr. James Golden, investment manager of Golden Investment Bank, has been co-opted to the Board of that bank.

Mr. W. Proudfoot, general manager and actuary of the Scottish Amicable Life Assurance Society, has been elected chairman of the ASSOCIATED SCOTTISH LIFE OFFICES. He succeeds Mr. R. E. Macdonald, who has completed the usual two-year term in the chair. Mr. J. M. Macfarlane, general manager and actuary of the Scottish Provident Institution, has become deputy chairman of the Association.

Mr. Philip Robinson has joined the Board of managing trustees of MUNICIPAL MUTUAL INSURANCE and its subsidiaries. Mr. I. S. Wallace has been appointed a director of HART COOPER UNDERWRITING AGENCY.

Mr. Leonard Boyle, a past chairman of the Building Societies Association, has been appointed consultant to the MANCHESTER EXCHANGE AND INVESTMENT BANK.

Mr. Philip G. Holt, previously Southern Area manager, has been appointed assistant regional director of FORWARD TRUST'S South Eastern Region. He will be based at the regional head office in Waterloo Place, SW1, and his responsibilities will span London, the Home Counties, and the South and South East. Mr. Alan Cox, formerly field operations controller, has been made assistant regional director of Forward Trust's Northern Region. Based at the regional head office in St. Peter's Square, Manchester, his responsibilities will cover the North West, Yorkshire, North Wales and Cheshire. Forward

Mr. John E. Gabony, director of manpower, will retire from the PORT OF LONDON AUTHORITY at the end of June after 45 years' service. From February 1, Mr. John McNab, now director of upper docks, will become joint director of manpower and will take over Mr. Gabony's duties until his retirement. Mr. John N. Black, now director of Tilbury, becomes director of docks with immediate effect.

Mr. J. R. L. Cunningham has been appointed to the Board of CLIVE INVESTMENTS, the investment Trust is a subsidiary of Midland Banks in October, has been appointed chairman of the subsidiary, Allied Irish Finance Company and Allied Irish Investment Bank, in succession to Dr. E. M. R. O'Driscoll, who remains a director. Mr. Joseph McGillem, group managing director, has become deputy chairman of the subsidiary. Mr. Michael Murphy, managing director of Allied Irish Investment Bank, has been co-opted to the Board of Allied Irish Banks, and Mr. James Golden, investment manager of Golden Investment Bank, has been co-opted to the Board of that bank.

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Business loans limit up

BY MICHAEL BLANDEN

NATIONAL WESTMINSTER Bank raising the upper limit for its special business development loans to help small businesses.

The limit on business development loans is raised from £30,000 to £50,000, and from £50,000 to £75,000 for farm development.

The loans provide a source of medium-term fixed rate credit, with agreed repayment schedules for the business and professional sectors.

The loan and interest are repayable in equal monthly instalments over one to five years, although exceptionally they may be extended to 7 years.

The business development loans cost a flat interest rate of 6½ per cent. a year, equivalent to a true rate of 12.3 per cent. over five years. If the loan is secured, and 8 per cent. flat (15 per cent. true) unsecured.

They are designed to provide finance for a variety of purposes, such as buying or extending business premises, buying a business or professional practice, buying plant or machinery and providing working capital.

The term of the loan is worked out in relation to an appraisal of the profit flow and the expected life of assets purchased with the funds.

Farm development loans, available for buying stock, fertiliser,

machinery and plant and farm, had advantages for borrowers. Interest paid gross, half-yearly. Rates for deposits received not later than 30.1.78.

Terms (years) 3 4 5 6 7 8 9 10. Interest % .9. 9.4 10. 10.4 10.8 11. 11.4. Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-428 7822, Ext. 177). Cheques payable to "Bank of England, s/c FFI". FFI is the holding company for ICFC and FCI.

The bank said that the schemes settled repayment programme

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 30.1.78.

Terms (years) 3 4 5 6 7 8 9 10. Interest % .9. 9.4 10. 10.4 10.8 11. 11.4. Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-428 7822, Ext. 177). Cheques payable to "Bank of England, s/c FFI". FFI is the holding company for ICFC and FCI.

Kelsey Industries Ltd.

Statistics from the Report of the Chairman, Mr. J. G. Moss, and the accounts for the 12 months to 30 September 1977:

	1976/77	1975/76
	£	£
Turnover	16,862,452	12,150,591
Direct Exports	6,150,196	3,991,894
Profit before tax	1,939,537	1,653,957
Profit after tax	960,356	775,583
Ordinary Dividends	£24,214	111,216
	(12.939%)	(11.585%)
Earnings per share	21.0p	16.2p
Retained trading profits	812,758	664,667
Depreciation	215,266	228,808
Net assets	5,242,671	4,413,070

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any Preference Shares.

E. FOGARTY & COMPANY, LIMITED

(Incorporated in England under the Companies Acts, 1908-1917)

Capitalisation Issue of 772,267 10½ per cent. Cumulative Preference Shares of £1 each

The Council of the Stock Exchange has admitted the above-mentioned Preference Shares to the Official List. Particulars of the rights attaching to them are available in the Extra Statistical Service and copies of the statistical card may be obtained during usual business hours on any weekday (Saturdays excepted) for the next fourteen days from:

S. G. Warburg & Co. Ltd., 30, Gresham Street, London, EC2P 2EB or from Keith, Bayley, Rogers & Co., 12/14, Lackington Street, London, EC2M 2SY.

16th January, 1978

HAMBRO INCOME FUND—SCHEME OF AMALGAMATION

Allied Investors Trusts Limited and Hambros Unit Trust Managers Limited announce that the number of units of Allied Hambro Equity Income Trust to be issued to former Hambro Income Fund holders is 1,4194 Allied Hambro Equity Income Trust for each Hambro Income Fund unit previously held.

Against this is the prospect of healthy demand for other types of dry cargo carriers. Demand for containerships and roll-on/off carriers could be "higher than it has ever been." Multipurpose cargo liners are likely to still in demand the report concludes.

Overall, the demand for bulk carriers will be "painfully small," the report says. Delivery of bulk carriers between 1978 and 1985 will have to drop by a maximum average of 5m. deadweight tonnes per annum if supply and demand is to be balanced by 1985.

The figures ignore the impact of reduced demand for oil tankers on the use of combined dry cargo-oil ships. No more bulk carrier orders would be needed if most of the "Combos" ships are used for dry cargo up to 1985.

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HOME NEWS

Government slammed in consumer survey

ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

GOVERNMENT is given a face by consumers survey published yesterday. The survey shows that the two most important factors for consumers are food and prices—also those which the Government has least well.

With a list of 15 issues, 81 per cent of the people questioned said that prices were a problem for 71 per cent. cited city prices. Some people were asked to rank the Government's performance in tackling the problems. Government came out worst with 70 per cent of people interviewed saying the Government was not well with either food or electricity prices. A lower proportion (38 per cent) criticised the Government on prices in the survey was commissioned by Consumers' Association and carried out by the British Market Research Bureau. It showed a surprisingly high degree of discontent about advertising. Just less than a third of the sample said that misleading advertising was a problem for them, though this was offset by the 46 per cent who said advertising presented no problem at all.

More predictably, the survey disclosed a high level of concern about the quality of shoes and the cost of gas and children's clothes. The standard of the Health Service was cited as a problem by almost a third of the people interviewed. Product safety was mentioned by 23 per cent.

The Government's performance was rated best on food hygiene and product safety, both issues which featured in the bottom half of the problem league.

Only a quarter of the sample thought the Government was doing well in the field of food prices and only 17 per cent praised the Government's handling of electricity prices.

Just less than a third said they thought the Government was doing well in the field of prices in general. A fractionally higher proportion said they thought the Government was coping well with the problem of misleading advertising.

The publication of the survey comes when the Government is considering action on the question of the "green pound".

Mr. Peter Goldman, the Consumers' Association's director, stressed the political relevance of the findings by pointing out that it might be an election year.

MPs would do well to remember that food prices were still the shoppers' biggest problem when they considered whether to accept the Minister of Agriculture's proposals for a devaluation of the "green pound".

More aid urged for single homeless

By Our Building Correspondent

THE Government's housing policy was not taking account of the fact that by 1986 a quarter of all households in England and Wales will consist of just one person, CHAR, the Campaign for single homeless people, claimed today.

In a report to the Department of the Environment on last year's housing policy review, the organisation says Government plans "fall far short of guaranteeing decent homes for a growing section of the nation's population."

Government figures showed that one-person households increased by 86 per cent between 1971 and 1976, while the rate of increase for all households was only 19 per cent. By 1986, 5m. people would need self-contained housing on their own.

"We face a massive increase in the number of households wanting to live on their own. There are two main causes—an escalation in the number of single pensioners and divorcees and the growing demand of young people to live away from their families," CHAR said.

There should be a change in local council and housing association allocation policies to give single people a better chance of finding accommodation and urgent action to help homeless people who were already housed.

"Ordinary housing should be supplied for the majority of single homeless people. Those who need support and care should be offered a place in sheltered housing, while a small pool of hostel beds should be maintained for those who genuinely need temporary accommodation."

Rural Board Wales lets factories

Robin Reeves, Development Board Rural, has let more than half the sites available when it was nine months ago, Mr. Roberts, the Board's chairman said.

Board has let 18 factories enau Ffestiniog, Welshpool, Newtown, out of 35, Mr. Roberts said at the North Wales fair.

Roberts said that the sites for gifts and souvenirs was worth £7m. a year, many of the gifts on sale in real interest because they not made by craftsmen.

Move to cut council mortgage rates

THE GOVERNMENT is to be pressed to introduce early legislation enabling local authorities to charge the same interest rate for mortgages as the building societies.

There has been growing criticism that many home-buyers with local authority mortgages have to pay considerably more for their loans than if they had borrowed from a building society. Some Council mortgage interest rates are more than three per cent higher than the societies' rate.

Mr. Richard Mitchell, Labour MP for Southampton Itchen, is tabling a Commons motion. At present local authorities are not permitted to incur losses in the mortgage finance field, and must charge appropriately.

Mr. Mitchell said: "It is only common sense that those local authorities who want to charge the rate recommended by the Building Societies Association should be able to do so. However, I have been told that legislation is required to do this if a loss is thereby incurred."

Last year's housing policy review underlined the Government's belief that the situation should be changed.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Title	Venue
19-20 Feb. Computers & Peripheral Equip. Ex. (cl. Jan. 20)	U.S. Trade Center, W.1
19-20 Feb. Contract Flooring Exhibition	Bloomsbury Centre Hll, W.C.1
25-Feb. 1. International Hotel and Catering Exhibition	Olympia
20-Feb. 2. Brightshow '78	Olympia
30-Feb. 2. Photography at Work Exhibition	Harrogate
5-9 International Spring Fair	Nat. Exbn. Centre, B'ham.
14-16 National Office Repographic Exbn.	Wembley Conf. Centre
14-16 Licensed Hotel Catering Exbn.	Metropole Centre, Brighton
15-16 EIA Engineering Exhibition	Portsmouth
19-23 International Knitwear Fair	Earl's Court
19-23 Int. Men's & Boys' Wear Exbn.	Earl's Court
20-23 Spring Floorcoverings Exhibition	Metropole Centre, Brighton
20-24 Furniture Production Exhibition	Nat. Exbn. Centre, B'ham.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Title	Venue
20-26 Int. Record & Music Publishing Market	Cannes
20-29 International Boat Show	Malmo
21-29 International Commercial Motor Show	Geneva
27-Feb. 5. International Green Week	Berlin
28-Mar. 6. British Technology Exhibition	Jeddah
4-7 Knitting Industries Exhibition	Paris
4-7 European Men's Wear Show	Paris
8-10 British Trade Fair	Abidjan
7-11 Engineering & Industrial Equipment Exbn.	Dublin
11-15 Int. Confectionery, Chocolate, Biscuit Exbn.	Paris
12-17 Israel Fashion Week	Tel Aviv
12-18 Int. Machine Tool & Foundry Exbn.	Johannesburg
18-21 International Hardware Fair	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

Title	Venue
17 Durham University Business School: Improving Management Communication with the Expectations Approach	Durham
18 Henley Centre for Forecasting: Forecasts for Corporate Plans to 1983	Carlton Tower Hotel, S.W.1
18 London Chamber of Commerce & Industry: Understanding Foreign Exchange	54 Lombard Street, E.C.3
19 European Study Conferences: Dealing with the Price Commission	Churchill Hotel, W.1
19 Keith Shipton Developments: Profit from Health and Safety	Manchester
19 London Chamber of Commerce & Industry: The Anatomy of Product Liability Insurance	54 Lombard Street, E.C.3
23-27 Brunel University: Production Management and Human Behaviour	Uxbridge
26-27 AMR International: Creative Problem Solving	Churchill Hotel, W.1
30-Feb. 3. P-E Consulting Group: Production Management	Egham, Surrey
31 British Council of Productivity Associations: Unfair Dismissal	Metropole Hotel, W.2
1 Department of Industry: Bulk Materials Handling: Berndtson Int./ORC (U.K.): Management—Pay-Productivity	Runcorn, Cheshire
2 Chart Analysis: Investing in Commodities	Cavendish Centre, W.1
6 Business Perspectives: China and Britain—The Prospect for Trade	Int. Press Centre, E.C.4
6-10 Urwick: Management in Research & Development	Royal Lancaster Hotel, W.2
7-9 European Risk Appraisal	Slough
8-10 London Chamber of Commerce and Industry: Social Service and Infrastructural Developments in Oil Rich States	Russell Hotel, W.C.1
13-17 Abraxas: Synectics—Innovative Skills	Farnham Castle
14 Society for Long Range Planning: Self-Denial: To-day for Prosperity To-morrow—Crisis of Choice	88, Churchway, N.W.1
15-18 Oyez IBC: International Tendering	15, Belgrave Sq., S.W.1
16 Building Materials Export Group: Expanding Export Markets for the U.K. Construction Industry	Inter-Continental Hotel, W.1
	Cavendish Centre, W.1

VW Derby goes back to tradition

By Our Motoring Correspondent

THE VOLKSWAGEN Derby, the small saloon car based on the Polo hatchback, is to go on sale in Britain this month at £2,850.

The Derby, launched in Germany almost a year ago, illustrates the shift of thinking among European car-designers about merits of the conventional "three-box" vehicle.

Volkswagen's recovery after the decline of the Beetle model has been based on hatchback five-door principles of design popularised by Renault. But with the Derby, which adds a boot and 14 inches to the hatchback Polo model, it recognises the strong demand for the traditional design.

General Motors has acted similarly with its Kadett-Chevette range, also obtainable in both forms.

VW claims to have shown in market research that 40 per cent of motorists in West Germany prefer a conventionally-shaped vehicle.

In Britain VW will sell only one version of the Derby, the Derby LS. It will have the 1.1 litre overhead camshaft engine and similar trim and equipment to the top-of-the-range Polo LS.

The boot is relatively large, 18.2 cubic ft. The model is 12ft. 8in. long.

Airlines oppose moving base from Heathrow

Financial Times Reporter

THREE airlines, Iberia, TAP (Portuguese Airlines) and Air Canada have rejected requests to move their London operations from Heathrow to Gatwick.

Heathrow's monthly newspaper Skyport reports that the airlines were all asked to make the move in anticipation of massive overcrowding at Heathrow. Their rejection of the proposal could lead to intervention by the Civil Aviation Authority and discussions with the governments involved.

Air Canada is reported as saying that it would lose business to competitors if it moved. The same reason was given by the other airlines.

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Norfolk Broads national park scheme backed

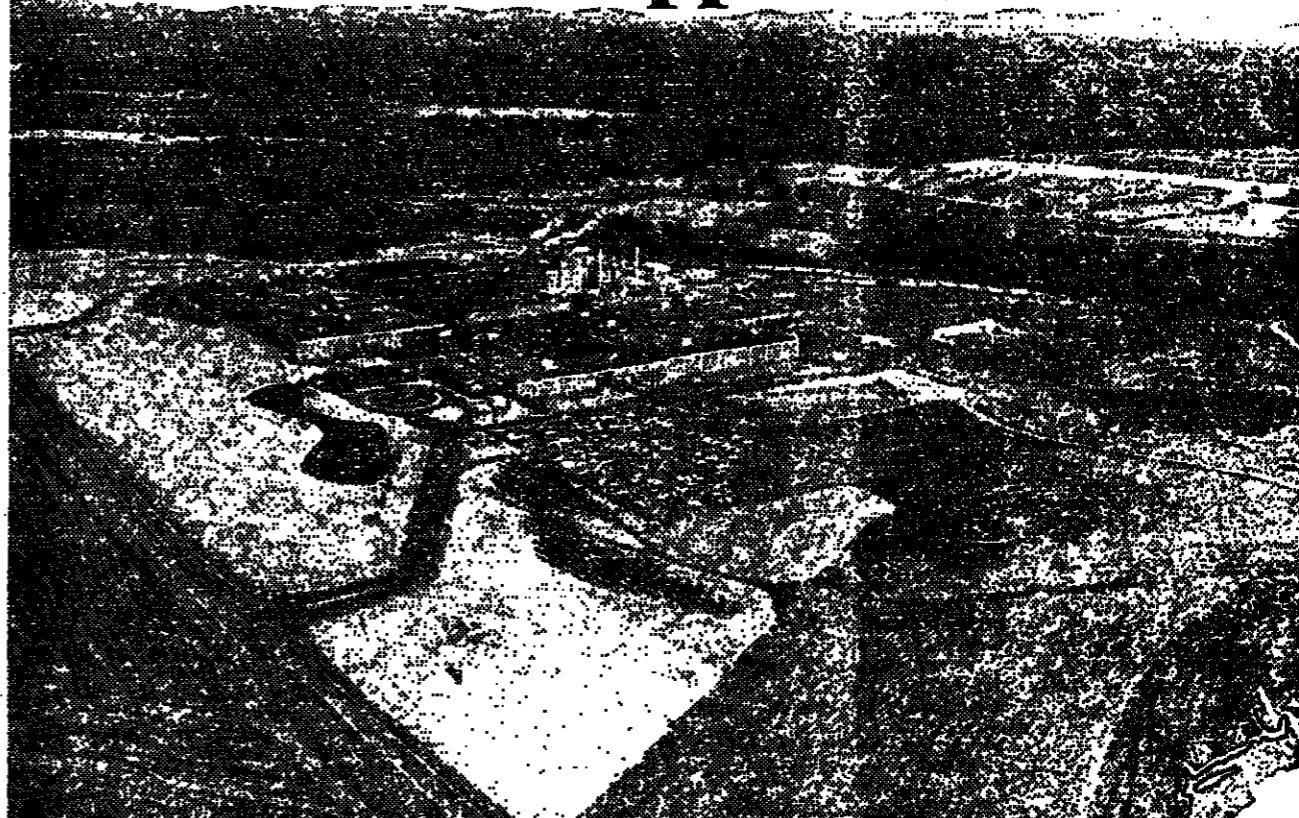
By Anthony Moreton

RELUCTANT SUPPORT for the establishment of a national park to cover the Norfolk Broads was given by the Nature Conservancy Council.

It has told the Countryside Commission, which advises the Government on national parks, that a national park for the Broads, although not ideal, would in certain circumstances help to alleviate some of the ecological and administrative difficulties now being faced by the area.

The Nature Conservancy believes that there are a number of drawbacks in the present system of running the Broads and that the best solution would be for a special authority to be established.

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This week in Parliament

TO-DAY	WEDNESDAY	THURSDAY
MONS—Civil Aviation Bill (2nd reading), Shipbuilding (Lundsey Payments) Bill (2nd reading).	COMMONS—Scotland Bill (committee stage). Motion on EEC documents on jurisdiction and judgments convention.	COMMONS—Transport Bill (Second Reading). Participation Agreements Bill, remaining stages.
ECT COMMITTEE—Expenditure, Education, Arts and Home Affairs sub-committee. Subject: Administration of the Prison Service. Witnesses: Chief Probation Officers. (Room 130 p.m.)	LORDS—Debate on the Wolfenden report on the future of voluntary organisations.	LORDS—Judicature (Northern Ireland) Bill (Second Reading).
TO-MORROW	SELECT COMMITTEES—Sciences and Technology, General Purposes sub-committee. Subject: Efficiency and durability of filament and discharge lamps. Witnesses: British Standards Institute and Department of Energy. (Room 15, 10.30 a.m.)	SELECT COMMITTEE—Defence and External Affairs sub-committee. Subject: CPRS (Think Tank). Review of Overseas Representation. Witnesses: Lord Home of the Hirsel; Lord George Brown; Mr. Douglas Hurd, MP. (Room 16, 10.30 a.m.)
MONS—Scotland Bill. Committee Stage.	MONS—Refugee (disposal) Bill (2nd reading). Local Government Bill (Third Reading). State Immunity Bill (2nd reading).	FRIDAY
ECT COMMITTEE—Expenditure, Defence and External Affairs sub-committee. Subject: CPRS (Think Tank). Review of Overseas Representation. Witness: Sir Kenneth Berrill. (Room 16, 3 p.m.)	COMMONS—Private Members' Bill.	

OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]

NOTES

Prices do not include \$ premium, except where indicated. \$ = 1/8 cent. * = 1/16 cent. unless otherwise indicated. Yields % shown in last column allow for all buying expenses. Offered prices include all expenses. † Today's price. ‡ Yield based on offer price. § Estimated. ¶ Today's opening price. † Distribution free of U. S. taxes. * Per \$100 premium insurance plans. † Single premium insurance. ‡ Offered price includes all expenses except agent's commission. § Offered price includes all expenses. ¶ Below third managers. † Today's bid price. ‡ Net ex-tax on realized capital gains unless indicated by §. ¶ Quarterly gross. § Suspended. † Yield before Jersey tax. ‡ Ex-substitution.

FINANCE AND ACCOUNTING

[illegible]

Pintney Pkg. 50	208	+1	Concrete Prods.	125	
Gray Sapp. 11	245		Reilon (Grande)	51	
Shawnee Bldg.	142		Ins. Corp.	175	+13
I.O.M. Sun. 11	132		Irish Ropes	108 1/2	+3
Rock (404) 120p	231		Jacob	62	+2
N.Wm. Goldsmith	45		Suzanneam	25	
Peacock C.R. 11	122		M.G.	165	-5
Peet Mill 10	17		Undare	75	
Sheffield Brick	48				

FINANCE									
Apr.	Sept.	Lang.	Am.	Com.	500	424	22.5	1000	43
Jan.	June	Ang.	Am.	Com.	252	252	12.12	1000	2.0
Feb.	Aug.	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Feb.	Aug.	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Jan.	July	Charter	Com.	134	21	7.5	1.5	1.5	1.5
Jan.	Dec.	Com.	Gold	192	71	6.85	1.5	1.5	1.5
July	Mar.	Revd.	Com.	21	12	1.8	1.5	1.5	1.5
Mar.	Sept.	Gold	Revd.	208	131	0.00	1.5	1.5	1.5
Jan.	Aug.	Com.	Lang.	500	500	12.12	1000	2.0	2.0
Mar.	Sept.	Lang.	Am.	Com.	500	500	12.12	1000	2.0
Jan.	Oct.	Lang.	Com.	510	10	11.070	2.21	2.21	2.21
Aug.	Feb.	Lang.	Com.	1600	10	11.070	2.21	2.21	2.21
Mar.	Sept.	Lang.	Com.	113	22	0.05	0.4	0.4	0.4
Nov.	Sept.	Lang.	Com.	890	175	0.05	0.4	0.4	0.4
Jan.	July	Lang.	Com.	394	21	12.12	1.10	1.10	1.10
Aug.	Feb.	Lang.	Com.	175	12	10.26	1.10	1.10	1.10
Jan.	July	Lang.	Com.	513	21	0.99	2.4	2.4	2.4
Mar.	Sept.	Lang.	Com.	202	18	0.90	1.1	1.1	1.1
Mar.	Sept.	Lang.	Com.	24	9	0.90	1.1	1.1	1.1
Sept.	Mar.	Lang.	Com.	43	22	0.70	1.3	1.3	1.3
DIAMOND AND PLATINUM									
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0
Nov.	May	Ang.	Am.	Com.	500	500	12.12	1000	2.0

[illegible]

Italian Premier resigns to-day

By Dominick J. Coyle

ROME, Jan. 15. SIG. ANDREOTTI, the Italian Prime Minister, will submit the resignation of his minority Christian Democrat Government to President Giovanni Leone tomorrow morning after a brief Cabinet meeting, thus ending the life of the country's 39th administration since the collapse of Fascism in 1943.

The demise of the 18-month-old Andreotti Government comes after a public ultimatum from the Communist Party that it should be included in a new emergency administration.

This demand has been rejected firmly by the Christian Democrat leadership, which won the support of many of the party's younger deputies who were elected to Parliament for the first time in the inconclusive general election in June last year.

After the customary three days allowed for consultations with the various party leaders, President Leone is expected to ask one of the top Christian Democrat leaders to try to form a new administration. It is more than likely that the choice will again be Sig. Andreotti.

Sig. Andreotti is said to be willing to try to reach an accommodation with the Communists, of the second largest party in Parliament after the Christian Democrats, but this would be some considerable way short of admitting a Communist representative into the Cabinet.

Formula

It could, however, involve an all-party agreement on economic and social policies to be advanced by a new administration. The Communist Party, having stuck rigidly in public in recent weeks to its demand for inclusion in an emergency Government, is showing signs of backing off.

Meanwhile, the authorities here are understandably apprehensive about the complications of a protracted political crisis on the lira.

Italy reported at the weekend a 1977 balance of payments surplus—the first since 1971—of \$2.3bn. against a deficit the previous year of \$1.2bn.

This compares with the undertaking by Italy to the International Monetary Fund last April to aim at a 1977 payments deficit of no more than \$870m.

Money supply faces scrutiny

By Michael Blandin

THE STOCK MARKET this week will look closely at the money supply figures due to be published by the Bank of England on Thursday, after the disturbing but unusually confused pointers given by last week's banking statistics.

These came as a shock, indicating a money supply growth rather higher than the markets had hoped for in a month when ill-edged sales were high. The banking system's eligible liabilities, which normally provide some guide to the money stock, showed a jump of 1.6 per cent. in the month to mid-December.

This seemed to indicate that the growth rate of the sterling money stock on the wider definition (M3) over the eight months to December might still have been running at, or slightly above, the top end of the official target range of 9-13 per cent. for the financial year.

One immediate worry, that this reflected a sharp jump in the Government's borrowing requirement, was relieved when official figures later showed that the central government's borrowing requirement last month had dropped to £786m. from £1,070m. in November.

This again confirmed that borrowing needs have been well below the levels recorded in the same last year, and indicated that the requirement for the public sector as a whole could fall substantially below the recently revised forecast of £7.5bn. for the year.

Adjustments

There will therefore be considerable interest in the outcome of the money supply for the month, after the seasonal and other adjustments have been applied, and in any official guidance on the reasons for the movements.

Seasonal factors could also be an important element in the external trade figures due to be published to-day. These will be examined to see if the improving trend in the current account surplus has continued.

A slight question-mark is raised, however, over whether there might again be a freshish movement in the figures—as there was last year—because of the difficulties of adjusting for the effects of the Christmas holidays.

Choice remains open on £20bn. reactors

BY DAVID FISHLICK, SCIENCE EDITOR

A SECOND WEEK of talks between Mr. Anthony Wedgwood Benn, Secretary for Energy, and nuclear industry chiefs, including Westinghouse executives, starts with the Government's choice of reactors, for orders worth an estimated £20bn. over the next 20 years, still wide open.

The meetings are being held at the Cabinet's request to Mr. Benn for more information after its failure to agree on reactor choice just before Christmas.

The electricity supply industry strongly denies reports that it has dropped or modified its request for a firm commitment from the Government to the U.S.-designed pressurised-water reactor.

The industry believes that at its Press conference on Thursday, part-way through his series of nuclear meetings, Mr. Benn himself indicated an important shift from implacable opposition to the pressurised-water reactor request by acquiescing in further design and safety studies.

The Central Electricity Generating Board is still unambiguously asking the Government for endorsement of a nuclear strategy including building both an advanced gas-cooled reactor station and pressurised-water station.

This strategy, which sees the pressurised-water reactor as "insurance" against further gas-cooled problems, has the support of the Electricity Council and the South of Scotland Electricity Board.

The Central Board outlined this strategy in two letters to Mr. Benn late last year, and has not changed its position, it indicated yesterday.

Building gap

For the pressurised-water reactor it wants a firm commitment from the Government that will allow it to obtain a site licence and safety approval, and then be able to place an order for a 1,300 MW station (not earlier than 1982).

Mr. Benn has been stressing that the nuclear design and construction industry, weakened by long building delays and absence of a new order since 1971, has not the resources to take on the pressurised-water as well as a re-designed advanced gas-cooled reactor and a demonstration fast-breeder reactor.

He was dismissive last week of Rolls-Royce's offer, made first to the Prime Minister at Derby before Christmas, but put its experience of building 16 successful pressurised-water reactors for

the Navy at the nuclear industry's disposal.

This was apparently because Rolls-Royce makes only about 3 per cent. of these reactors itself, sub-contracting the rest.

The view of the electricity supply industry is that the worrying resource limitation in the nuclear industry is not manufacturing capacity, but experienced and forceful project management.

It believes Rolls-Royce experience in pressurised-water project management would be valuable, and that the company has successfully "anglicised" the naval Westinghouse reactor.

Rolls-Royce's proposal is that it works with GEC on the pressurised-water contract for the generating Board.

Electricity chiefs have also suggested to Mr. Benn that if both types of reactor are pursued, experienced managers who have left the industry will be encouraged to return by only one type.

Westinghouse Electric executive vice president, who met in case with Mr. Benn this week that if the National Nuclear Corporation's licence agreement with their company is "activated" by a firm commitment, they will also provide Britain with both managerial and technical resources for the project.

Britain may be offered bigger fishing quota

BY RICHARD MOONEY

BRITAIN is likely to be offered a substantially improved share of Common Market fish resources at talks on the EEC's Common Fisheries Policy which resume in Brussels to-day.

The Common Market Commission is expected to propose a British quota of about 800,000 tonnes within the EEC "fish pond" plus 70,000 tonnes of non-quota fish such as horse mackerel and sand eel rather than "prime" fish such as cod and mackerel. This would bring the U.K. total to 1m. tonnes, or 35 per cent. of the overall EEC catch.

When the present round of talks is adjourned last month Mr. John Silkin, the U.K. Fisheries Minister, was seeking a British allotment of 962,000 tonnes of quota fish—a figure other EEC Ministers described as "astronomical".

U.K. fishermen thought it was pitched too low. They pointed out that it represented less than a third of the 3m. tonnes of fish which scientists estimate the EEC pond could yield annually, while the U.K. was contributing more than 60 per cent. to the pond.

Last year British fishermen caught 900,000 tonnes of fish. This represented a substantial cut—due mainly to declining stocks—from the 1.1m. tonnes a year being caught early this decade.

The U.K. fishing industry is not concerned purely with numbers on this question, however. It is anxious that the EEC should break away from the quota approach to fisheries management which it blames for the parlous state of European fish stocks.

In the new world of 200 mile limits it wants control of fishing effort to become the responsibility of individual EEC coastal nations, with exclusive fishing zones imposed up to 50 miles offshore.

Limitation

Mr. Silkin's approach is different. He wants 12-mile exclusive zones, with a "dominant preference" area for the coastal state between 12 miles and 50 miles. He says this would offer most of the advantages of exclusive zones, without requiring other EEC members to forego their traditional fishing rights in British waters.

Control would still be in the hands of the coastal state. In the British case this would mean a system of individual fishing vessels, Mr. Silkin says he shares the British industry's dislike of quotas.

British fishermen distrust the dominant preference concept. "It can be made to mean whatever one wants it to mean," a British Fishing Federation official said.

Neither did the industry share Mr. Silkin's view that significant progress had been made on other conservation questions such as net mesh sizes and the limitation of industrial fishmeal.

"The Continentals are merely paying lip service to the need for conservation," the official said.

The industry's main fear is that Mr. Silkin's desire to end this protracted dispute will overcome his determination to secure a fair deal for British fishermen. A quick deal, which merely papers over the cracks in the Common Fisheries Policy is the last thing the industry wants.

The Liberals yesterday exerted further political pressure on Mr. Silkin to secure a 50-mile limit. Mr. Alan Beith, the party's Chief Whip, said in a telegram to Mr. Silkin: "Liberals back 50-mile limit in order to give absolute priority to the need to British fishermen, to reserve inshore waters and to ensure conservation."

"It is essential that any settlement meets these needs and does not rely on quotas alone for control otherwise it would be better to reach no deal at this stage."

Callaghan rejects possibility of spring general election

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER has dismissed any prospect of a general election this spring and will decide towards the end of the summer whether he should go to the polls in October or hold an until next year.

Mr. Callaghan's decision is based partly on his assessment that he will be safe, in Parliamentary terms, for the remainder of this session, no matter what is decided at Saturday's special Liberal Assembly on the future of the Lib-Lab pact.

In addition, he believes that the rate of inflation will not be a factor in forcing him to hold an early poll. He dismisses the theory that inflation will, after having fallen to single figures in the spring, quickly start to rise again and thus damage Labour's electoral prospects in a late-1978 election.

Mr. Callaghan's own forecast is that if inflation rises at all in the summer it will do so only marginally and will not be electorally significant.

He has also decided against changing his ministerial team in any significant way before the next election on the grounds that the present Cabinet is working well together and Ministers should see their policies, reach fruition as the economy improves. This applies in particular to Mr. Denis Healey, Chancellor, who would be loath to leave the Treasury until he has gained political benefits from economic success.

The chances of the Lib-Lab pact continuing until the summer received a boost at the week-end when the autonomous Scottish Liberal Party approved a resolution pressing confidence in Mr. Steel's leadership

and in the maintenance of the pact until Liberal MPs consider it unnecessary.

News that there will be no general election before the autumn at the earliest will come as a relief to many Labour Left-wingers who have been counselling delay, but as something of a disappointment to some members of the Cabinet who have been urging Mr. Callaghan to take maximum advantage of the opportunity by the autumn, when a system of individual fishing vessels, Mr. Silkin says he shares the British industry's dislike of quotas.

Pointers

Although Mr. Callaghan has yet to make up his mind between this autumn and next year, there are a number of pointers that strongly favour October, 1978.

First, by far the major part of the last Labour manifesto will be then on the statute book, including the devolution legislation for Scotland which party tacticians regard as essential to Labour's electoral fortunes.

Second, Labour's parliamentary position next session is likely to be far more precarious than this, as the Liberals are regarded as certain to ease out of their pact with the Government in July soon after the Finance Bill becomes law. Mr. Steel will be unable to offer an unqualified promise of support beyond then.

With the devolution Bills on the Statute Book, nationalist MPs will have little reason for

coming to the Government's support on a vote of confidence.

In addition, the Speaker's Conference on electoral law, which is expected to recommend increased representation from Northern Ireland at Westminster, will have reported so there will be some reason for Ulster Unionist MPs to maintain Labour in office.

Finally, an October election would mean cancellation of this year's Labour Party conference where Left-wingers would be seeking to include in the party's manifesto some policies unacceptable to Mr. Callaghan.

Scottish Liberal vote, Page 5

Continued from Page 1

Middle East talks

Heve that Mr. Sadat is willing to go even closer to the brink of a breakdown if the Israelis do not show more flexibility in the next few days, even to the extent of ordering his negotiating team to return home.

It is also understood that Egypt is not contemplating another round of talks by the joint military committee that met in Cairo last week until Israel's intentions become clear. The military committee discussed the issue of Jewish settlements in Israeli-occupied Egyptian territory together with military withdrawal and future arrangements for Sinai.

Jurek Martin writes from Washington: The U.S. announcement late on Saturday night that Mr. Vance was postponing his trip to Jerusalem was clearly a

Distillers faces new threat over sales decision

By Guy de Jonquieres,

Common Market Correspondent

BRUSSELS, Jan. 15. THE DISTILLERS' Company's system of using exclusive national distributors to market Johnnie Walker Red Label and Dimple Haig Whisky in EEC countries could be threatened if it goes ahead with its decision to halt sales of the brands in Britain, says lawyers in the European Commission.

The Commission has warned distillers that its controversial response to the recent EEC order prohibiting its dual pricing practices could expose the company to further legal action for breach of the Community's rules of competition.

The use of a single distributor in each country is technically a restriction of trade under Article 85 of the Rome Treaty. But it is permitted under a special waiver, provided that the products in question can also be bought freely in the country of origin and exported to the markets served by the exclusive distributors.

In the case of Distillers, Commission officials say that the withdrawal of Johnnie Walker and Dimple from the domestic market would make such "parallel exports" impossible and thus deprive the company of the legal basis for restricting sales of the brands in the rest of the EEC to exclusive distributors.

The Commission is studying the case. Apparently it has yet to decide whether to take further action.

Lawyers in Brussels say that any rival distributor in other EEC countries would be entitled to challenge the exclusive rights enjoyed by Distillers' distributors in a national court when the two brands had been removed from sale in the U.K.

A verdict against Distillers would strike an important blow at its overseas marketing strategy because it would be likely to expose its existing EEC distributors to sharper competition which would reduce their margins.

Popular

Distillers said that its exclusive distributors needed to maintain their margins to be able to afford the cost of heavy promotion schemes in difficult Continental markets.

Promotion costs worked out at about £5 a 12-bottle case of whisky.

It had decided to withdraw Johnnie Walker and Dimple from the U.K. market and to raise the prices of its other brands by up to 50p a bottle in Britain because it wanted to prevent its Continental distributors from being undercut by cut-price parallel exports made directly from Britain.

Distillers' executive said that the company might be forced to withdraw other popular brands of Scotch from sale in the U.K. if the Price Commission refused its request for price rises.

The EEC Commission has said that it is examining the case to determine whether the decision to withdraw certain brands of whisky from the British market constitutes a "refusal to sell," which is specifically outlawed under Article 86 of the Treaty.

It is far from convinced by Distillers' explanation of the commercial logic underlying the brand withdrawals and price rises for whisky.

It is pointed out in Brussels that the company has reduced the Continental prices for other spirits such as gin and vodka.

P & O doubles its cruises to Shetland

P. & O. Ferries is doubling the number of its mini-cruises to the Shetland Isles which were introduced in 1972. Since then, there has been one three-day cruise a week.

Now there will be sailings on Mondays and Thursdays from Aberdeen.

play designed to get Israel and Egypt to resolve their differences over the agenda.

State Department officials made clear that Mr. Vance wanted to go to Jerusalem to get involved in substantive negotiations, but not to find himself embroiled in haggling over the agenda.

Thus, within an hour or so of the Israeli announcement that the meeting would proceed, the State Department promptly announced that Mr. Vance would leave Washington to-night.

It is felt in Washington that there is substantial agreement on the need for a statement of principles for a peace settlement which would have the effect of deferring until much later the resolution of the Palestinian problem.

THE LEX COLUMN

The battle for the small depositor

Last week's announcement that the second largest bank in South Africa, the Standard Bank, had negotiated a "close business relationship" with the country's eighth largest building society (it is to be renamed the Standard Building Society) is of more than passing interest.

The South African financial system is almost an exact replica of the U.K. system (it even has discount houses) and this experiment is going to be closely watched. Already at least one U.K. clearing bank has been investigating the possibility of establishing a building society.

Competition

One can understand why. The growth of the U.K. building societies over the past few years has been spectacular and the clearing banks have been the principal losers. At the end of the war building societies were only one-sixth of the size of the banks in terms of deposits. By 1970 they were level pegging, holding funds of about £10bn. apiece. Since then they have completely overtaken the banks and to-day boast sterling funds of well over £30bn. against the clearers' £27bn. (some £9bn. of which is wholesale money).

In terms of assets the Halifax Building Society is now the same size as Lloyd's parent clearing bank and three times the size of Williams and Glyn's.

Since 1970 the number of bank branches has been cut by around 500, to under 12,000, while the building societies branch network has roughly doubled to 4,000 odd branches.

This sort of growth rate cannot continue for much longer without imposing serious strains on the existing financial structure. A number of problems are already starting to appear. Aside from siphoning off deposits from the banks, building societies are beginning to behave more like banks and instead of merely reacting to money market rates they are now influencing them and, incidentally, the money supply.

A good case could now be argued for making them subject to the same monetary controls as the banks. It will also be interesting to see whether the Government includes them in the proposed protection of depositors legislation.

The banks' main complaint is

that the societies' favourable tax treatment gives them a competitive edge of around 1 per cent. gross on their deposit rates. But even if this was abolished the banks would not be competitive since they have to support a costly money transmission service, unlike the building societies. Consequently the banks have to explore other ways of combatting the building societies' challenge.

One possible solution is for the banks to set up building societies themselves. Theoretically, this is possible.

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In the meantime both the change and Ariel stand in fear of the threat of negot commission rates, for the rate system is the unbalanced under which Ariel operated. Ariel's finest moment may well have been before birth, when, in 1973, it prompted the Exchange to cut commission rates substantially. Other cuts have followed, and it fair guess that with this pace its mission accomplished will be allowed to fade gradually away.

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